



Daily Report

Latin America

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Cuba

Soviet Visitor Calls For Increased Cooperation

PA1804144191 Havana International Service
in Spanish 0000 GMT 18 Apr 91

[Text] The need to develop specific forms of cooperation between the Soviet and Cuban friendship associations was underscored today in Havana by the V. K. Simonenko, chairman of the Odessa City Soviet Executive Committee.

During a friendly meeting at the headquarters of the Cuban-Soviet Friendship Association, which was attended by Julio Chaviano, the vice president of the Association, and Alfonso Fraga, the European affairs director at the Cuban Foreign Ministry [as heard], the Soviet official said that, in addition to regular state-level exchanges conducted by the two countries for over 30 years, it is necessary to perfect the forms of cooperation between the two countries' labor unions and economic institutions.

The Soviet delegation has been in Cuba since 12 April at the invitation of the provincial government of Havana City and is a part of a program calling for exchange visits every three months.

Haiti

Government Officials React to Market Fire

FL1804190591 Port-au-Prince Tele-Haiti in French
1230 GMT 18 Apr 91

[Excerpts] [The burning of the Hyppolite Public Market] just worsens a situation which was already very difficult. The losses are assessed at over \$15 million, and sellers who received their goods on credit are in big trouble. The situation has been taken in hand by several ministers of the government, in collaboration with the mayor of the capital, Evans Paul. It clearly appears to the officials that this blaze is the result of sabotage. Prime Minister Rene Preval has declared war on the zenglendos in a statement made at Port-au-Prince City Hall. Rachelle Magloire summarizes the events.

[Begin recording] [Magloire] This fire has destroyed one of the important spots of the commercial network of dry goods in Port-au-Prince. Over 2,000 merchants frequented the Hyppolite Market. A number of them conducted trade with Panama, Curacao, or the Dominican Republic. Others buy goods to resell on the spot. Some shop at the Hyppolite Market for items to resell in the streets. Every one of them lost \$100, \$1,000, \$5,000,

\$10,000, or more. The losses are assessed at over \$10 million in cash or in goods. Some left their money behind in fear. These vendors are all the more effected because they were living on loans with exorbitantly high interest rates or credit, and they have many people, including parents, relatives, or friends, to take care of.

[Passage omitted, including statements by vendors affected by fire] [Magloire] The Port-au-Prince mayor and the prime minister gathered the victims at City Hall. A small committee of merchants has been formed to determine what must be done in view of the urgency of the situation. The Commerce Ministry is studying the possibility of getting a credit line from the BNC [National Credit Bank] in order to pay advances to the victims. Another source of financial help reportedly being researched is compensation from foreign organizations. Other steps are being developed to rebuild the market as soon as possible. Here and there the cause of the fire is especially talked about. Everyone thinks the motive was criminal. Evans Paul and Rene Preval have promised quick measures.

[Mayor Evans Paul] There are three actions that we will take immediately. The first is to arrest all zenglendos who made threats about burning the market. Secondly, we will collaborate with the merchants to help them get money quickly so they can continue working. Third, we will see what emergency actions we can take within the market area so that they can continue to work in the market itself because, as they say, that is where their offices are, it is where their gardens are.

[Prime Minister Preval] Above all, for those of us who have begun to provide security in the country, if the zenglendos intend to intensify their actions, we too will intensify ours. This means that we are going to get them, because it is time to end this once and for all. [applause]

[Magloire] You are late, the merchants answered the prime minister. No name has been mentioned, but a group of former city hall employees, involved in other massacres perpetrated during the transition, are suspected. [passage omitted] The merchants urge the government to be more severe. [passage omitted] The causes of the fire last night [16-17 April] are not extraneous to the hard economic situation of the past few weeks, said the vendors. These are the same words that are heard in the streets. [passage omitted] This fire will just worsen the economic situation which was already difficult for thousands of persons directly or indirectly affected. The feeling of anger grows stronger. The vendors demand emergency measures to relieve their economic losses, on the one hand, and to assure their security on the other. [end recording]

El Salvador**FMLN Responds to Version of Cardenal's Death**

PA1804034191 Panama City ACAN in Spanish
0209 GMT 18 Apr 91

[Text] Managua, 18 Apr (ACAN-EFE)—In Managua today, Salvadoran guerrilla leaders rejected a report by the government of Alfredo Cristiani saying that Antonio Cardenal, rebel leader of the Farabundo Marti National Liberation Front [FMLN], was killed in combat. The guerrilla leaders insisted that Cardenal was "murdered" by the Army.

During a news conference, four members of the FMLN Political-Diplomatic Commission today insisted that a "coup de grace" was administered to Cardenal, who was born in Nicaragua and known in the rebel ranks as "Commander Jesus Rojas."

Cardenal, nephew to Pedro Joaquin Chamorro, Violeta Chamorro's late husband, was interred in Managua today. His body arrived this morning from El Salvador, where he was killed along with 12 other rebels and one civilian one week ago.

Mercedes del Carmen Letona, a member of the FMLN Political-Diplomatic Commission, said that the "murder" of Cardenal was a "planned operation" executed "in cold blood."

"We will not offer the other cheek; we will retaliate," the leader underlined. She reported that two U.S. individuals visited the place two days before the guerrilla leader was killed.

Juan Matheu Lloret, director of the Salvadoran Forensic Medicine Institute, today said that, according to the autopsy, Cardenal, 40 years old, died as the result of "several gunshots" to his head in combat. Matheu rejected the idea that Cardenal died by a "coup de grace," as the guerrillas have asserted.

In addition, Rebeca Palacio, also of the FMLN Political-Diplomatic Commission, said: "Jesus Rojas showed five gunshots in the head. His back shows several perforations caused by a machinegun burst fired at point-blank range."

Finally, Letona pointed out that the guerrillas will retaliate the "blow" perpetrated in the rebels' rear guard with "military actions" in the city against the Salvadoran Army.

Vows To Respond Militarily

PA1804231091 Managua Sistema Nacional de
Television Network in Spanish 0330 GMT 18 Apr 91

[Excerpts] The body of FMLN [Farabundo Marti National Liberation Front] guerrilla Commander Antonio Cardenal, a.k.a. Jesus Rojas, arrived in Managua on 17 April.

[Begin FMLN Commander Mercedes Letona recording] Cardenal was ambushed while en route to another area and was wounded. His body now shows the impact of 22 shots, five of them to the head. Thus, we presume and can even insist that he was murdered in cold blood; the same happened to the other comrades who were with him. [end recording] [passage omitted]

The FMLN Political-Diplomatic Commission delegation, which attended Commander Rojas' funeral, described the ranking guerrilla leader's death as a cold, premeditated murder by the Salvadoran Government. Commander Letona said that the murder was an attempt by the Salvadoran Government to deal a blow to the FMLN to force its withdrawal from the negotiations.

[Begin recording] [Letona] The FMLN will not withdraw from the negotiations; it will not play into the government's hands. The FMLN will, however, respond militarily to the Army. We have said that this operation, which was coldly planned by the high command against the FMLN's leadership, gives the FMLN leave to conduct military actions against the Army's leadership structure in the cities that they consider their rear guard.

The FMLN's actions should be viewed as legitimate military actions. We hope that in response to them the government will display the same maturity that we have displayed by not withdrawing from the negotiations. We will, however, respond militarily.

[Reporter] How can you negotiate with the government while carrying out military attacks?

[Letona] We are at war. We have not yet established a cease-fire, and it seems to us that in light of this operation against Comrade Jesus and the fraud that the government perpetrated during the elections to prevent the people from voting in areas that were clearly in favor of the opposition, the FMLN's weapons constitute a guarantee and should continue to be wielded because it is the only way to stop the brutalities perpetrated by the Army and death squads. [end recording]

FMLN Statement on Usulután Department Fighting

PA1804194791 (Clandestine) Radio Venceremos
in Spanish to El Salvador 0000 GMT 18 Apr 91

[Statement issued by the Francisco Sanchez Southeastern Front of the 3rd Military Region of the Farabundo Marti National Liberation Front (FMLN) in Usulután on 17 April—read by unidentified announcer]

[Text] The Francisco Sanchez Southeastern Front of the 3rd Military Region of the Farabundo Marti National Liberation Front [FMLN] reports that:

In response to operations being carried out by the 3rd Infantry Brigade, supported by the Atonal and Arce Battalions, in areas under our control, on 17 April END [National Army for Democracy] forces launched a

regional maneuver called The Integrity of the Areas Under Our Control Must Be Respected. The maneuver consisted of:

1. An artillery attack on the Atonal Battalion headquarters. We hereby confirm that 15 projectiles hit their targets causing damage to the installations.
2. Raids on the southern and western sectors of the city. The Santa Clara, Punta de Diamante, Los Naranjos, Buena Vista, and Pablo Galan neighborhoods were occupied for several hours.
3. An attack on Jucuaran Battalion soldiers near Santa Elena.
4. The occupation of California, Usulután Department. The occupation lasted several hours during which the coffee stored at the San Ambrosio Coffee Processing Plant was distributed to the civilian population. Political meetings were also held.

The fighting continued until 1200 and the enemy suffered 20 casualties, including a seriously wounded sergeant. Our forces, on the other hand, suffered two casualties.

We hereby reiterate that we are willing to find political solutions to the country's problems, but we will also launch a counteroffensive in response to every attack that the Army may perpetrate on the areas under our control.

Signed: Francisco Sanchez Southeastern Front command.

Rebels Attack La Libertad Navy Facilities

PA1804202491 San Salvador Radio Cadena YSU in Spanish 1400 GMT 18 Apr 91

[Text] The guerrillas have launched a large attack in the port city of La Libertad, which left three rebels, one sailor, and one policeman dead, according to a preliminary report provided by military sources in that city. The rebel attack took place at 2330 [0530 GMT] and lasted for two hours. The rebel fire was directed at the National Navy headquarters and a National Police base.

This attack took place after the General Command of the FMLN [Farabundo Martí National Liberation Front] announced that it will respond militarily to the Army killing—in an ambush—of commander Antonio Cardenal. Cardenal died on 11 April near Arcatao, Chalatenango Department.

Upon giving a report on the incidents in the port city, the Armed Forces Press Committee, Coprefa, stated that two rebels and one sailor were killed. According to the same report, four rebels were wounded and one Civil Defense member was also killed. Coprefa admitted that the National Navy Captaincy sustained damage caused by RPG-7 rocket launchers [as heard].

We have a third version on this incident given by rebel sources to Fausto Valladares:

[Valladares] FMLN members claimed responsibility, via telephone, for the attack on the installations of the National Navy Captaincy in La Libertad, which left one sailor and two rebels dead. The short guerrilla communiqué added that the rebels closed several roads leading to the coastal area.

[Begin unidentified rebel recording] At approximately 2330 last night, FMLN rebels and militiamen attacked the port city La Libertad. We used rifle fire, RPG-7's, and 81mm mortar fire against the positions of the National Navy, the National Police, and the Civil Defense. We also closed the coastal road leading to Comalapa at San Diego and El Majagual. We also closed the road leading to Santa Tecla from La Libertad. [end recording]

The attack launched against the military installations in the port of La Libertad caused the death of one sailor, while one Civil Defense member was wounded. In addition, two rebels were killed and four others were wounded, according to the military report. These attacks are carried as part of the rebel announcement to launch attacks in response to the killing of commander Jesus Rojas, which took place last week.

Rebel Sabotage Causes Nationwide Blackout

PA1904040691 Mexico City NOTIMEX in Spanish 0329 GMT 19 Apr 91

[Text] San Salvador, 18 Apr (NOTIMEX)—Salvadoran guerrilla groups destroyed this evening five towers of the national energy distribution system, causing a blackout throughout the country's 14 departments.

Official sources have confirmed that five towers holding 115,000-volt lines were blown up by rebel units in rural areas which supply the main energy sub-stations in El Salvador.

The blackouts occurred progressively and the first one was registered at 1925 local, partially affecting the metropolitan zone. The second occurred at 1930 and left all the capital without electricity, while the third one occurred at 1945, causing a general blackout throughout the country.

Even though the blackout was complete, the energy was gradually restored 40 minutes later.

A spokesman of the Modesto Ramirez Front's urban commandoes announced this morning the suspension of sabotage actions against electric installations in the country's urban zones—a measure which does not include rural areas and the "battle fronts."

FMLN Suspends Sabotage

PA1804214991 San Salvador Radio Cadena YSU
in Spanish 1400 GMT 18 Apr 91

[Text] We have a last minute report that will bring peace to the people throughout the country. A few minutes ago FMLN Commander Robin Martinez announced to a group of journalists that, effective today, Thursday, sabotage actions on the electricity network have been suspended in all the cities but not in the rural areas.

Commander Robin Martinez, member of the Modesto Ramirez Central Front's joint command, announced that it was decided—with the FMLN General Command's approval—to suspend sabotage actions on electricity poles and towers supporting high-voltage lines so that the civilian population does not have to pay the costs and as a gesture of goodwill toward the negotiations with the government currently underway in Mexico City.

We intend to help create a positive atmosphere in the cities. Commander Martinez told a group of journalists on the outskirts of San Salvador. The rebel commander said that the decision became effective today, so he urged urban commandos and guerrilla militias to stop destroying power pylons in the cities. He emphasized that the measure does not include the battle fronts and the electricity sub-stations.

[Begin Martinez recording] Upon instructions from the general command, the Modesto Ramirez Central Front's joint command has issued instructions to all the urban commandos and guerrilla militias to suspend the [words indistinct] antennas and electric system within the city. The order does not include the battle fronts. [end recording]

FMLN To Treat Spies According to Geneva Accord

PA1804202191 (Clandestine) Radio Venceremos
in Spanish to El Salvador 0000 GMT 18 Apr 91

[Text] The following is the code that the National Army for Democracy [END], 3rd Military Region, will reportedly follow when dealing with an enemy caught infiltrating our area dressed in civilian clothing, disguised as professionals, and deliberately using clandestine methods in an attempt to gather military information:

A. The FMLN [Farabundo Marti National Liberation Front] has officially declared that it abides by the Geneva Convention.

B. Since this is a conflict of a domestic nature, the FMLN will abide by the Second Protocol of the Geneva Convention.

C. The government and Armed Forces are obligated to abide by this convention.

D. The Geneva Convention clearly defines who will be considered a spy. The following is a translation of Article 46 of the First Protocol of the Geneva Convention. [as heard]

E. In those cases a military court will be appointed.

F. All acts of espionage may be punished by an execution, the FMLN, however, reserves the right to apply a different punishment depending on the seriousness of the case.

Procedures for the Application of the Code:

G. Establishment of a military court. This court will be comprised of two FMLN members who will be responsible for trying spying suspects in areas under FMLN control—in other words, in the war zones.

H. The accused will have the right to defend himself or choose someone to represent him to ensure that his guilt or innocence is objectively determined.

I. The FMLN interests will be represented by an attorney who will be responsible for proving that the accused was involved in spying.

J. The procedure will be recorded and signed by the members of the court and the secretary.

K. The front's command will be the appropriate authority if the sentence is appealed.

[Signed] END, 3rd Military Region.

Guatemala

URNG Statement on Serrano Peace Initiative

PA1804182091 Guatemala City PRENSA LIBRE
in Spanish 13 Apr 91 p 3

["Text" of statement issued by the General Command of the Guatemalan National Revolutionary Unity (URNG); place and date not given]

[Text] Let us build true peace for Guatemala.

In view of President Jorge Antonio Serrano Elias' 8 April 1991 proposal entitled the Total Peace Plan, this command hereby declares:

1. Once again, its readiness and political willingness to lay the groundwork, with the government and the Guatemalan Army, for a political solution to the internal armed conflict and the general crisis in the country.

2. No agreement will be possible unless a serious process of negotiations is promptly initiated. This process must spring from the proposals presented by the two parties through the mediator Monsignor Rodolfo Quezada Toruno, in the presence of UN observer Francesco Vendrell, and with no previous conditions, advantages, or impositions.

We applaud the president's presentation which indicates a desire for a political solution. For our part, we believe that the process of negotiations should lead to a total demilitarization and democratization of the country against the backdrop of social development and justice.

3. We share the desire of achieving peace as soon as possible. The signing of a final peace document, however, can only be the result of political agreements, practical measures, and verification, which will create a solid basis for continuing on the road to peace and guarantee a successful outcome to the process of negotiations.

4. Based on this criteria and in accordance with the previously reached agreement, on 15 April, we will present a proposal to the mediator, Msgr. Rodolfo Quezada Toruno, in the presence of UN observer Francesco Vendrell, that will make it possible to establish an agenda and to reach an agreement on negotiations procedure to be signed by the parties in conflict.

5. We are ready to participate in private or public meetings, but not in secret meetings. The URNG believes that the people of Guatemala and the international community must be kept apprised of this process.

6. Since October 1990, we have insisted on the continuation and completion of the Oslo Process in order to ensure that repression, human rights violations, and counterinsurgency measures will be permanently halted. We hereby state that, as of today, conditions for the suspension of military activities have not been created.

At the outset, the negotiation process will provide a means of halting and confronting individuals within the Army, the government, and the powerful political and economic sectors who are opposed to a political solution to the armed conflict and the political crisis that would benefit all Guatemalan people.

In general, the process of negotiations should also create conditions to determine, through a national consensus, the necessary economic measures to arrest the alarming deterioration in the standard of living of the majority of Guatemalans.

The increase in human rights violations under the present regime is dramatic. Despite government statements and propaganda, rampant repression throughout the country is leaving a bloody path and increasing pain and suffering in its wake.

This fact cannot be overlooked during the negotiations. The impunity of the Army intelligence services and the government's repressive apparatus must not only come to a halt; it must be completely eradicated.

The URNG calls on all Guatemalans to contribute by actively struggling for a political resolution of the internal armed conflict and the country's crisis—a political resolution that will end in demilitarization and democratization with justice, social development, and "True Peace" for the Guatemalan people.

[Signed] URNG General Command, Commanders Rolando Moran, Pablo Monsato, and Gaspar Ilom, and Carlos Gonzalez, Secretary General of the Central Committee of the Guatemalan Labor Party.

Honduras

Bomb Explodes at National Party Headquarters

PA1804212891 Panama City ACAN in Spanish
2032 GMT 18 Apr 91

[Text] Tegucigalpa, 18 Apr (ACAN-EFE)—A bomb exploded today at the headquarters of the ruling National Party of Honduras [PNH] in San Pedro Sula, northern region of the country, causing no casualties. Another powerful device was deactivated by the police.

The explosion occurred at 1130 local (1730 GMT) when the Honduran president was attending a public event in another sector of San Pedro Sula. The bomb was thrown by two unidentified men traveling in a taxi but only caused around \$5,000 worth of damage, a police spokesman reported to EFE. The spokesman added that the two explosive devices were manufactured with TNT.

Personnel working at the PNH's headquarters had previously left the premises to accompany the president, the source added. The bomb deactivated by police experts weighed 1 kg and had been left in the conference room of the PNH's headquarters, where it was set to go off at a certain time. The police have launched an operation, which includes the closure of all the entrances to and exits from the city, to prevent the unidentified men's escape.

Celin Discua, president of the PNH's Central Committee, scored the attack and said: "Violence is not the way to protest the current economic situation prevailing in the country." No organization has claimed responsibility for the terrorist attack.

Cinchoneros Claim Responsibility

PA1904003091 Mexico City NOTIMEX in Spanish
2346 GMT 18 Apr 91

[Excerpts] Tegucigalpa, 18 Apr (NOTIMEX)—A medium-sized bomb exploded this morning at the headquarters of the National Party of Honduras in northern San Pedro Sula, police reported. [passage omitted]

Radio stations in Tegucigalpa have reported that certain stations in San Pedro Sula have received telephone calls in which the "Cinchonero" People's Liberation Movement claimed responsibility for the attack.

According to the reports, the rebel group said it thus protested the structural economic adjustments carried out by President Rafael Leonardo Callejas's administration, which are commonly called "unfair economic packages."

Callejas: 'Act of Cowardice'

PA1904031191 Tegucigalpa Televisora Hondurena in Spanish 0100 GMT 19 Apr 91

[Text] We have a last-minute report on the events which have occurred in San Pedro Sula. It has been reported

that the Honduran guerrilla group, the Cinchonero People's Liberation Movement [FPLC], has claimed responsibility for the bomb attack which destroyed the ruling National Party of Honduras installations in the northern city of San Pedro Sula and which Honduran President Rafael Leonardo Callejas described as an act of cowardice.

A communique, which was distributed a short while ago in Tegucigalpa by the FPLC, states that the attack was carried out by the Lempira Commando to condemn the Callejas Administration's servile and submissive attitude and the implementation of measures that only favor international banks and rich Honduran people.

President Callejas, who is in San Pedro Sula, has said that the attack is an act of cowardice against a party that has the people's support. The explosion destroyed the computer center but caused no casualties; it is the first of its kind against the National Party of Honduras since it rose to power in January 1990.

The FPLC represents a political-military organization founded in the early 1980s. The organization claims that the conditions which compelled its members to fight still prevail.

Nicaragua

President Chamorro Reports on Trip to Washington

PA1904015791 Managua Domestic Service
in Spanish 1811 GMT 18 Apr 91

[News conference by President Violeta de Chamorro, Foreign Minister Enrique Dreyfus, Presidential Minister Antonio Lacayo, and private businessmen Roberto Teran and Alejandro Ruiz with local and international reporters and an unidentified moderator, at the Managua International Airport—live]

[Text] [Chamorro] Good afternoon, dear journalists. I see many new faces [words indistinct] friends from Spain and other parts of the world who are here on the occasion of the visit of our dear friends, King Juan Carlos and his wife Sofia.

As you know, I have just returned from the United States of America. I left on 14 April and arrived in Washington on 15 April. The purpose of my visit was to restore our friendship with the United States and the relations of mutual respect that all Nicaraguans must have with the United States on a one-to-one basis. I want to tell you that we succeeded. Not just me, but all of those who joined me on this trip and all the Nicaraguan people.

As you saw and heard on radio and television, the meeting with President Bush was very fruitful. We held very friendly and promising talks because the United States is not going to abandon us. The United States is not going to abandon us. [Repeats herself] Nor will other countries. President Bush expressed full support for the Nicaraguan people and our reconciliation policy, whose

first anniversary we will commemorate in a few days, on 25 April. This is a policy of a national concerted effort between all the Nicaraguan sectors. He was very pleased with all that we presented to him, particularly due to the blending of parties and ideologies in his country. Because of this, I am sure that Nicaragua will have good relations, not only with the United States because of my recent visit, but with many other countries that make every effort to help our country overcome the enormous economic crisis that we face, a crisis that we and all of the other friendly countries will succeed in solving.

The group of donor countries will meet on 15 May to discuss the problem of Nicaragua. As we say, we are going to see white smoke. So far, we have not seen either white or black smoke [words indistinct]. During my visit, we signed a number of [?accords] for \$135 million earmarked for projects in Nicaragua. This means that our homeland will return to normal even sooner than expected. All Nicaraguans now have a little more income than before. I also met with a number of leaders of the two parties—Democrats and Republicans—and with Vice President Dan Quayle, who came to the place in which we were staying, Glenn House. Everyone listened gladly and with great respect to our report of what we Nicaraguans are doing in our homeland. Nicaragua is not alone; it is in the process of securing the friendly ties that we have with all the countries that I have visited since the Nicaraguan people elected me as president.

I also visited the OAS headquarters, where I delivered a speech that was very well received. The most important thing, however, was not what I said but a sealed envelope that I handed to OAS Secretary General Joao Baena Soares containing an arms inventory taken by an OAS commission in Nicaragua and Costa Rica. I also gave him a wristwatch as a token of the OAS support during our crisis. I visited several banks and institutions. I went to church to ask God to give me light and assist me so that I could go on working for the Nicaraguan people, finding solutions, and bringing gladness to all of you.

Regarding bank operations, I will now leave you with my [?children], who represented me along with my ministers. I will also leave with you two friends from the private enterprise whom I invited to accompany me on this trip. They had the opportunity to express their feelings. So I will now leave you with the foreign minister, Antonio Lacayo, and [words indistinct].

[Moderator] Those desiring to ask questions would do well in... [changes thought] Five o'clock, but there are still some things to be done here at the airport. Let us begin the questions and answer session so every reporter can have his question answered. Manuelita Talavera of the newspaper BARRICADA.

[Talavera] Mr. Lacayo, could you explain if the AID assistance is part of the promised funds or is it a new disbursement? According to our information, the speaker of the House of Representatives, Mr. Foley, admitted that the funds were being disbursed too slowly

and they were going to suggest that the U.S. Government speed up the process. Could you please explain something about those AID funds?

[A. Lacayo] Gladly. I believe it is important to point out that precisely as a result of this visit, there is an atmosphere in the United States that is favorable toward Nicaragua. The statements by Speaker Foley show that there is a great interest in this country.

As has been said on previous occasions, unfortunately, the world is changing too quickly and the Gulf war and events in Eastern Europe have focused the attention of the United States on other parts of the world.

Regarding the president's trip, the communique of the Press and Information Office said on 14 April that after 40 years of a policy of subservience imposed by Somoziism and 10 years of confrontation promoted by Sandinism, Nicaragua is today promoting a new policy of friendship and cooperation with the United States based on the principles of equality, respect, and mutual benefits. As the communique said, today we can report that on behalf of all Nicaraguans, Mrs. Violeta de Chamorro achieved that goal and established a new relationship that will undoubtedly benefit all Nicaraguans.

Because of that renewed interest in Nicaragua and in light of our achievements in our first year of solid democracy, we hear statements such as those by House Speaker Foley that support Nicaragua and make more flexible the assistance that is committed but that has not been disbursed. Therefore, the \$135 million of the \$541 million the United States has given Nicaragua were made available yesterday during a ceremony in which our president and the head of AID signed a document. As a result, these funds will be entirely at the disposal of our stabilization program and will guarantee its success. In this manner, we see how yesterday, 17 April, this flexibility materialized, and this is most important for our economic program.

[Moderator] (Ponderis) of ACAN-EFE.

[(Ponderis)] My question is addressed to President Chamorro.

[Moderator] I would like to ask the persons in the back to please remain silent, as we cannot hear the questions well. Thank you kindly. Excuse me, (Ponderis), go ahead.

[(Ponderis)] I have two questions, one of them is addressed to President Chamorro. Could she please comment on the visit of the king, as he is arriving today? I also want to ask Antonio Lacayo about a visit by a World Bank mission, if he has more information that he could give the reporters. Thank you.

[Chamorro] I think the Nicaraguan people must be very anxious as this is the first time a king accompanied by his wife has ever visited Nicaragua, at least ever since most of us were born. The king and queen will arrive today at 1630, and we are waiting for them with open arms to

voice the friendship of the King of Spain with Nicaragua, Violeta, and all Nicaraguans. He is also very eager to visit Nicaragua, because what he went through in Spain is similar to what [words indistinct]. So we are more or less the same, with regard to reconciliation, peace, and unification among the Spaniards and Nicaraguans.

On the other hand, it was also learned that he is [interested in going to] Granada. He will also visit Leon tomorrow. We will have a ceremony at the Ruben Dario Theater today. That is all we can offer right now, but we do it from the bottom of our hearts.

Tomorrow evening, the embassy... [corrects herself] he will have a reception at the Spanish Embassy. On Saturday we will drive him around the islands—I think it will be the islands of Granada—and if [words indistinct] Spain I apologize, but I feel proud about the islands of Granada because they are beautiful, like Venice. We will drive him around Granada and the islands, and he will receive the keys of the city in all the cities he visits. He deserves it. He will also be honored at the National Assembly in Managua. He will be given... [changes thought] you will see what we will give him. I do not want to tell you yet. Therefore, I believe the king will feel very happy about the ties of brotherhood between Nicaragua... [changes thought] We resemble each other. We are alike in many ways, meaning the Spaniards and the Nicaraguans. We like to chat a lot, and they are quite interested in what we are doing.

[Lacayo] Regarding your question about the World Bank, we had previously reported that the mission will come to see the investment projects that Nicaragua wants to finance with the World Bank. This is not... [corrects herself] this is a good sign because the World Bank takes it for granted that Nicaragua will come out well with its debt problem. Given that the debt will be paid sometime this year, by 1992 we might be financing these projects with fresh money from the World Bank. The projects will mainly be carried out in the social and infrastructure sectors.

[Moderator] Roberto Gonzalez, Radio Sandino.

[Gonzalez] Thank you. Good morning, Engineer Lacayo. I would like to ask you to explain something. There are apparently mixed reports about what really happened. I, along with the rest of the Nicaraguan people, saw Mrs. Chamorro being applauded five, six, or seven times [at the U.S. Senate], and she looked quite happy. However, THE WASHINGTON TIMES published a report quoting Senator William Broomfield, who said that most of the people in the room were employees, rather than officials, representatives, or senators. Broomfield said: How can we justify this event if it was really [words indistinct]? That is what he said.

I am also worried about what Senator John Kennedy [as heard] said. He stated: Nicaragua is out of our range of interests; Nicaragua is out of our sight. He also said that only \$200 million will be approved for 1992. What can you tell us about this?

[Lacayo] The fact that the U.S. Congress decided to hold a special joint session says more than the mere physical presence of the congressmen at the time of the event. It was a political decision adopted by leaders of the House of Representatives and the U.S. Senate. It is a political decision that is normally adopted once or twice every year in that country. As far as we know, only our president and the queen of England will be given that highly distinguished honor in 1991. This is how the U.S. people, through their representatives, honor a world leader.

We obviously know how the world turns, and we know that Nicaragua had the world's attention while we were at war, but it is sad to catch the world's attention through a war. Another war occurred elsewhere and attention was diverted to that area. Congressmen who have little interest in what happens beyond their borders evidently do not attend a session like that, but I would like to point out that they are a minority.

That is why only an extreme-right newspaper like THE WASHINGTON TIMES—or BARRICADA in Nicaragua—publishes that kind of report. I was actually reading the newspaper on the airplane and found it curious that the U.S. extreme right coincides with BARRICADA, which reprinted the report. BARRICADA tends to emphasize trivial details, and the same thing is emphasized in the extreme right media. It does not emphasize the important issues, meaning the recognition that a whole nation gave to the Nicaraguan people.

The minor details, rather than the in-depth nature, the recognition of a whole people, the Nicaraguan people, is what is stressed in BARRICADA and by the extreme right newspaper. It would be interesting for us to read Christopher Dodd's comments—we all know who Dodd was—on the extreme rightists. All of them coincided in applauding President Chamorro on several occasions during her speech and while she explained the reconciliation policy and what Nicaragua has attained regarding disarmament and laying the groundwork for democracy in this country.

We believe that the effort of President Chamorro and the Nicaraguans to again focus the U.S. attention on Nicaragua was of utmost importance. This has been accomplished. We see that, as proof of this, the aid will begin to flow and the United States has committed itself to helping Nicaragua pay its debts. This friendship, based on equality and respect, opens a new phase in the relations between the United States and Nicaragua.

[Moderator] Emilio Zambrana of LA PRENSA.

[Zambrana] How do private U.S. enterprises view the current economic recovery process in Nicaragua?

[Roberto Teran] We had the pleasure of meeting with a number of U.S. investors who were familiar with our economic program and how Nicaragua has managed to check inflation. What our government has done is unique in its history. We of the private enterprise are

extremely proud of having accompanied President Chamorro in this fruitful trip. We Nicaraguans can rest assured that, during this trip, she did a wonderful job. She has been warmly welcomed everywhere. The acceptance of her program has been incredible. Our admiration for her could not be greater. She has truly won the hearts of the U.S. people and their president. Everyone is willing to truly help Nicaragua. Proof of this is what Antonio Lacayo said, that the aid for Nicaragua will be disbursed soon. So let us have faith in the economic development program. In the United States, investors are already making plans to come to Nicaragua with definite projects, which Antonio will surely explain in the future.

[Moderator] Does Alejandro Ruiz wish to add anything as a member of the presidential retinue and in the name of private enterprise?

[Ruiz] Several U.S. investors showed great interest in coming to invest in the agricultural field in this country. Many of them are more familiar than we with the value of the lakes basin, a value we can assess with difficulty. These investors know that we have wonderful land in Jinotega, for instance, for planting coffee. These investors know that the industry and commerce in Nicaragua are devastated and this is why they are very interested in investing here. I wish to urge Nicaraguans to start working hard in agriculture, industry, and commerce to help move this country forward. President Chamorro has made a great effort to make Nicaragua creditworthy and reactivate the country's economy.

[Moderator] A reporter of Radio Onda Cero of Spain.

[Reporter] Within this economic cooperation with Nicaragua, what role do you think should be played by the Spanish Government?

[Chamorro] Spain and any other country willing to aid Nicaragua will be welcome. I expect from all friendly countries all the aid they can give us and that we come closer together. There should be mutual relationships among all of us. That is what the reconciliation policy is all about. It is not a partisan policy but a reconciliation policy.

[Reporter] President Chamorro, a few days ago you sent a letter to Prime Minister Felipe Gonzalez requesting the Spanish Government's participation in the nation's reconciliation process. Could you tell us exactly what were the terms of that letter? Have you received a reply from the Spanish prime minister?

[Chamorro] Yes, I did write a letter to Felipe Gonzalez, but I do not publish what I write to heads of state.

[Moderator] Thank you very much for your presence. Good afternoon. We will see you once again at 1700 when the Spanish monarchs arrive. Thank you very much.

H. Ortega Praises Chamorro

PA1804225891 Managua Domestic Service
in Spanish 1908 GMT 18 Apr 91

[Text] I am fully convinced that the current changes taking place in Nicaragua are on the right track. General Humberto Ortega Saavedra has told Mexican journalist and businessman Mario Vasquez Rana during a lengthy conversation in Mexico City.

Ortega's statements will undoubtedly generate widespread discussion among the Sandinist Party ranks, where some individuals consider Humberto a traitor to the Sandinist revolution. Gen. Ortega feels sure that if his brother Daniel had won the past presidential elections, he would not have the support of the United States or of the socialist countries that have crumbled. Then the current process in the search for lasting peace that is about to culminate would have been longer, more complex, and entailed more uncertainties and sacrifices for the people.

An important aspect of Mrs. Violeta de Chamorro's government is her great effort to reconcile all Nicaraguans, an effort that has not yet been completed. It is, however, indispensable for generating confidence within the international community in the search for foreign support to pull Nicaragua out of a common problem, such as the socioeconomic crisis that has worsened in recent years.

Gen. Ortega believes that conditions are undoubtedly better under the current government to generate the confidence demanded by the international community to help our country. I think social peace and the spirit of reconciliation that Mrs. Chamorro has been advocating and the continuous search for foreign support are aspects that could lead us to say definitely that Mrs. Chamorro's government is on the correct path. It is very clear that the situation has changed and is complex, he added.

Nicaragua as a whole—not just Sandinists or non-Sandinists—must confront this situation. Evidently, there are better conditions for confronting that great challenge. The chief of the Nicaraguan Army feels that the Army is no longer a branch of the party as it was prior to the elections. That was one of its mistakes that I will definitely not permit. That does not mean, however, that it is not the Army of the revolution that goes beyond Sandinism, which monopolized everything.

Gen. Ortega also sent a message to the business and social groups, telling them they must realize that the capitalist and oppressive actions of the past are not the answer at this time. They must confront the social problems in a better manner and not just think of accumulating capital, all the while leaving wide gaps between poverty and wealth. There must be wealth in Nicaragua, but it must be equally distributed, he emphasized.

In his interview with the Mexican Mario Vasquez Rana that is published in EL SEMANARIO, Humberto stressed that half of the Nicaraguan population is Sandinist and the other half is not. He added that both halves should realize they cannot live separately. Here, we

voted for total peace and for improvements; and we are confident we will improve. As leaders of the revolution and because of a lack of experience, we excluded some groups. We thought we were the only wise ones and the only ones who were right, so we excluded several sectors that are good for the economy. As a result, we isolated ourselves. I believe we have learned our lesson.

Chamorro's Address Criticized

PA1804192791 Managua Sistema Nacional de
Television Network in Spanish 0330 GMT 18 Apr 91

[From the independent "Extravision" newscast, directed by Manuel Espinoza, former information minister under the Ortega administration]

[Text] Politicians interviewed on 17 April share the view that the speech by President Violeta de Chamorro to the U.S. Congress on 16 April was unfortunate because it has cast doubt on national sovereignty.

[Begin recording] [Sandinist Deputy Sergio Ramirez Mercado, former Nicaraguan vice president] Unfortunately, this was a speech to please, not the U.S. Congress as a whole, but the most recalcitrant right-wing sector of the U.S. Congress which is not pleased with an orderly and peaceful transition of power in Nicaragua but demands the surrender of Nicaragua's sovereignty and its submission to U.S. interests.

[Sandinist Deputy Danilo Aguirre Solis, assistant director of EL NUEVO DIARIO] The speech to the U.S. Congress exhibited a type of submission that goes back 20 years. That was the system of relations that had existed between the Latin American leaders and the United States. These were relations of absolute submission and supplication to the United States, with regard to the future the United States wanted to give these countries.

[Carlos Fernando Chamorro, director of BARRICADA and son of President Chamorro] It was an (excessively) ideological speech. Some months ago, this government admitted before the Nicaraguan people that Nicaragua has suffered from foreign aggression. But yesterday, when the president spoke on behalf of the Nicaraguans at the U.S. Congress, she forgot that reality and she spoke about the past tragedy of Nicaragua, thus releasing the United States from any responsibility. She made it sound as if foreign ideologies and other such things, but not to the United States, were to blame for the war and destruction in Nicaragua.

She also made it appear that today we are living in a democracy that was born from an alleged dictatorship. In fact, however, we must admit—and even the government has admitted in the past—that a democratization process existed here in the past and that this government is merely continuing the process began in the past decade. Those are two negative aspects of the speech, and I think that, when dealing with the United States, Nicaragua should adopt a more nationalistic stance.

The positive aspect of the speech is that Nicaragua demands support and aid for the entire decade. I think that the United States has an obligation to compensate Nicaragua's losses. [end recording]

Chile

Former Rebels 'Permitted To Engage in Politics'

PY1904003891 Madrid EFE in English 2034 GMT
18 Apr 91

[Text] Santiago, April 18 (EFE)—Leftist Chilean guerrilla groups which end their armed actions will be permitted to engage in politics, Deputy Interior Minister Belisario Velasco said Thursday [18 April].

Velasco applauded a decision this week by the leftist Manuel Rodriguez Patriotic Front (FPMR) rebel group's "historic front" to abandon armed struggle and pursue its ends through democratic politics. But he said "the law will be applied" to the FPMR's "autonomous front", the FPMR faction which remains under arms, as well as to the Lautaro Group guerrillas.

The government filed criminal charges against the "autonomous front" and the Lautaro Group on Tuesday, hours after the FPMR's "historic front" announced its decision to end armed struggle.

Velasco declined to say whether any negotiations between the "historic front" and the government had led to the faction's announcement. But he stressed that President Patricio Aylwin's government has been calling on armed groups to abandon violence ever since Aylwin took office in March 1990.

Velasco said the latest acts of political violence had all been committed by the ultra-left, citing the murders of a rightist senator, a police official and a military doctor and his wife.

Denying press reports estimating the number of armed leftists at 2,700, Velasco said the actual number was under 100, comprising the members of the FPMR "autonomous front" and the Lautaro Group. Observers say the FPMR "historic front", made up mainly of Communist Party members, has several thousand militants.

The FPMR was organized in 1983, during the 1973-1990 dictatorship of Gen. Augusto Pinochet. The group split into the two factions in 1987.

Announcing on Tuesday its decision to abandon arms, the "historic front" said it had not carried out any attacks since Aylwin took office.

Velasco said a new internal security organization, created to combat terrorism, would not involve the Armed Forces in operations. The new organization will be under the Interior Ministry, directed by a civilian, and will employ police, rather than military units, in operations, he said. The Armed Forces' participation in the organization will be limited to providing information, he said.

Colombia

Constituent Assembly Delegates Back Gaviria

PA1804222091 Bogota Inravision Television
Cadena 1 in Spanish 1758 GMT 18 Apr 91

[Report by Ricardo Canon]

[Text] President Cesar Gaviria yesterday monopolized the Constituent Assembly's attention during his 45-minute-long speech. The delegates and special guests adopted various positions regarding his remarks on the topics that have been the focus of legal and political controversy. Nevertheless, and without considering the political aspects, the majority of the Constituent Assembly delegates backed the president's juridical stands on the actions of the government, the Supreme Court of Justice, and the Constituent Assembly.

[Begin recording] [Diego Montana Cuellar of the Patriotic Unity] All that the Assembly says must be complied with. The president said that he felt bound to comply with and enforce all the legal requirements that the Constituent Assembly sees fit to establish.

[Antonio Navarro Wolff of the M-19 Movement] Generally speaking, the president's address was a serious one that helps clarify the Constituent Assembly's development. I would describe as commendable the way he dealt with the Constituent Assembly's work.

[Juan Carlos Esguerra of the National Salvation Movement, MSN] I regard what the president said as very positive. He said that he and his government will accept any reforms that the Constituent Assembly will introduce to the current constitution. I think this is how it had to be.

[Augusto Ramirez Ocampo of the Social Conservative Party] I think the president's speech is very important because it clearly defined the scope of the two instruments that gave rise to the Constituent Assembly.

[Alvaro Gomez of the MSN] I think the president made a very good effort to save the congress but at the same time made a very good attempt to overthrow the constitutional court.

[Ivan Marulanda of the Liberal Party] He said: Make your own constitutional court so the court that emerges from this Assembly can judge the constitutionality of the actions of the delegates to the assembly. [end recording]

Medellin Cartel Assassin Escapes Bogota Prison

PA1904024891 Bogota Inravision Television
Cadena 2 in Spanish 0009 GMT 19 Apr 91

[Text] The Medellin cartel's paid assassin and military structures were strengthened today when, under circumstances that the authorities still find very strange, Denis Munoz Mosquera, the Medellin cartel's chief terrorist, escaped from the Bogota Modelo Penitentiary.

There is total silence at the penitentiary. The manner in which Denis Munoz Mosquera, a.k.a. La Quica, and Jose Maria Rivera escaped is a mystery. Eighteen hours after the news broke, the only information that has been confirmed is that they escaped at approximately 0100 and that the guard who was on duty was gagged.

According to preliminary investigations, it is entirely possible that guards served as accomplices of the two dangerous criminals, helping them gain their freedom. This assumption is based on the fact that only one cell door in the entire prison was broken.

Colonel Alonso Arango, assistant director of the DIJIN [Directorate of Judicial Police and Investigation] said the following:

[Begin recording, in progress] ...[Arango] Exactly in the area where these individuals' cells were located.

[Reporter] Was this in the security pavillion?

[Arango] Yes, a security pavillion. [end recording]

The 14 guards who were on duty at the time of the escape are undergoing an investigation at the penitentiary because they have refused to be transferred to the DIJIN.

[Begin Arango recording] The entire investigation will be conducted at the penitentiary. [end recording]

Despite reports that a thorough investigation will be conducted, this case has focused attention on the insecurity of jails which, like the Modelo Penitentiary, on various occasions have received promises of increased security. Nevertheless, they still have the same 13 sentry boxes lighted by small bulbs and guards armed with the same obsolete nightsticks and World War II carbines.

Denis Munoz Mosquera was captured in 1990 in the capital of Antioquia Department and was charged with being one of the Medellin cartel's strongmen. He was also suspected of having participated in the murders of former Antioquia Governor Antonio Roldan Betancur, and former Police Director Colonel Waldemar Franklin Quintero.

What worries the authorities the most is that by adding Munoz Mosquera's escape to that of Luis Eduardo Rueda Rocha from the La Picota jail, the Medellin cartel can restructure its military and paid assassin organization.

Peru

Prime Minister Addresses National Congress

PY1704160091 Lima Radio Nacional del Peru
Pachacutec Network in Spanish 1657 GMT 15 Apr 91

[Speech to Congress by Prime Minister Carlos Torres y Torres Lara from the Congress building in Lima—live]

[Excerpts] Mr. President of the National Congress:

Senators and Deputies:

As president of the Council of Ministers, and accompanied by all of the ministers of state who comprise this council, I have come here—in compliance with the provisions of Article 224 of the national Constitution—to submit and discuss the government's general plan, which we are committed to fulfill under the orders of our constitutional president, Alberto Fujimori.

This plan, Mr. President, conforms with the plan submitted to this same Congress by Juan Carlos Hurtado Miller, former Council of Ministers president and minister of economy and finance, when the current government assumed office. For this reason, we will not go over a diagnosis that is well known by all Peruvians and, especially, by all their true representatives in this congress.

This plan and the discussions that will follow—as provided for by our Constitution—are no more than a task imposed on us by democracy, to which we are committed with the clear conviction that we will strengthen it. For this reason, I want to express—on behalf of the ministers who are present here and myself—our respect for those who have been chosen to be the people's legitimate representatives. Our legal training and background also lead us to admit that the legislative branch has been endowed with special powers in comparison with other government branches because it is the only branch that can even modify our Constitution.

Within this framework of respect for the Constitution and for those who support the people's mandate, we will submit and support the plan we believe is necessary to continue the objective of confronting and resolving the Republic's most serious problems.

General considerations:

Mr. President, we have tough work ahead of us and we will be able to carry it out successfully only if we all join efforts and give up our just, legitimate aspirations for the sake of a common sacrifice that will serve as a solid support for the responsibility we have of bailing the country out of the serious crisis it is experiencing. We feel that, one way or another, to a lesser or greater degree, we are all responsible for this situation, and there is no reason to blame some more than others for what was or was not done in recent decades, the consequences of which, the Peruvian people are suffering today.

These initial considerations, Mr. President, have only one objective: To share responsibilities and fulfill our obligations. We will not be able to do anything for Peru unless we give up, at least temporarily, all that which divides us, and unless we seek out and favor that which can unite us. This does not mean we must seek unconditional assistance or deny the important mission of those who are politically opposed to the government. Thus, we are proposing only five specific areas in which we can work together, in common agreement, to reach a consensus. They are pacification, drug trafficking, the

creation of job opportunities, our international and domestic reinstatement, and a restructuring the state apparatus.

Only in this way will we be able to fight subversion and terrorism and the scourge of drug trafficking—to mention only two aspects—and the problems that have been prevailing in the country for over a decade and that have caused tremendous irreversible damage.

We have come here, Mr. President, without any venture that could widen the gaps and to make the sincerest call for a climate of harmony, which does not mean restricting or limiting the overseeing and legislative role of this important government branch.

We who make up the cabinet, which I have the honor of chairing, have tacitly given up any political or party interest. We are not courting the people's sympathies so they will be reflected later in the ballot boxes. We have only agreed to offer our humble professional and intellectual abilities to fulfill the tasks entrusted to us.

In making this statement, Mr. President, we are by no means trying to tarnish the free political game that guarantees the democracy in which we live and to which all citizens must have access. This is not a criticism, only the adoption of a position that can facilitate the agreement to which we have been referring.

We wanted to stress it because we consider it to be a requirement, an essential condition that can give us indispensable moral support for reaching a national understanding, which, I repeat, will lead us to the solution of specific problems. We do not expect the favorable results of this understanding to represent a success for the government. We want the country, as a whole, to see these results as its own success, as its own achievement.

We feel these considerations are essential, especially because we are nearing municipal elections, and we do not want this agreement to mean a commitment to the government because we do not take it as such; rather, as a commitment to the country.

Moreover, the executive branch will show, at all times, its total independence from the electoral campaigns that are democratically taking place.

Mr. President, two years ago the international situation was very unpredictable. The other bloc of countries, which until recently had represented the communist option in the world, had made such a sudden change that the top representative, the Soviet Union, is today accelerating efforts to establish a democratic regime and an economy based on the rules of the market.

This change in the communist world is forcing the great capitalist powers to transfer their aid and to aim their investments at those countries. If we add to this the results of the recent Persian Gulf conflict and the consolidation of the great blocs of North America, Europe, and Asia, we will have to give even more effort, to carry

out more intense and more creative tasks. The globalization of the economy can be seen in the ever-increasing interdependence of the economies of all countries. This interdependence will demand a high degree of effectiveness, a more efficient and effective use of resources, and an accelerated development of science and technology. This will be a new challenge to which we must respond immediately. Otherwise we will join the countries that missed the path of history and our people will be unable to enjoy living conditions compatible with their aspirations and their own human dignity.

In sum, the domestic and foreign situations are not at all favorable. It is therefore necessary for all Peruvians to reach an understanding as soon as possible to carry out the gigantic task required for the recovery and development of the country.

Priority policies:

Mr. President, before pointing out the policies we consider to be of priority concern, allow me to comment briefly on the stabilization program we are implementing. This program, which is in effect, seeks to correct the imbalances in our economy by closing three essential gaps: the fiscal gap, the external gap, and the poverty gap.

The first gap will be closed by streamlining public expenditures; the second, by reestablishing the balance between imports and exports and substantially improving the range of goods that can be negotiated internationally; and the third, by carrying out the reforms that will lead to democratization in the productive process.

By eliminating these gaps we will be able to defeat the scourge of inflation which has impoverished the people, undermined public income, discouraged investment, and unfortunately—and not just in a few cases—led to immorality. The adjustment made with this objective in mind has had, in the initial stages, an inevitable social cost which has affected the poor more than anyone else.

Unfortunately, the emergency and social compensation program has not been able to fully mitigate those effects. For this reason, it was necessary to review and reinvigorate the program to make it fulfill its objectives and, above all, to reverse the poverty situation by promoting productivity.

We regretfully admit that not everything we meant to do was done or could be done, and that this inadequate fulfillment has caused further distress for large sectors of the population.

To be truly successful and long-lasting, the short-term stabilization program must be able to transform the productive apparatus through the establishment of a new structure with reduced prices, profit potential, and profound changes within the state sector, including in education, culture, and certain aspects of social life. Stabilization must be the result of a medium- and long-term

program that will guarantee a new style of development based on continuous dynamic action and competitive capacity, with decentralized benefits and social equity. Only in this manner will austerity and the current sacrifices be justified. Only in this manner will the adjustment policy be meaningful and reasonable.

Beginning with the view that links stabilization with growth, productive transformation with social equity, and democratization with state modernization, it will be possible to list the priority policies that will deal with all fields of social activity, beginning with the dramatic economic situation.

First: violence, security, and pacification.

The subversive and terrorist violence has grown so great that it is now considered our most serious problem. Although the violence stems from many historical circumstances and has been aggravated by the economic crisis, there is no justification for it whatsoever. It has become the main concern of the government, which is willing to confront it firmly and resolutely. This violence above all affects personal security and citizens' human rights, especially the right to life, which must be protected in strict compliance with Article 2 of our Constitution.

It also affects material assets. The overall damage caused so far amounts to more than our total foreign debt. This is why it has become our main concern and a factor which is aggravating the current crisis we are enduring: the violence discourages national and foreign investment and makes our recovery more difficult. For this reason, the antisubversive strategy cannot be unilateral nor exclusively repressive, entrusted only to the Armed Forces and the police, much less to a utopian development program that overlooks the intrinsic perversity of the terrorist phenomenon.

We propose an overall strategy shared intelligently by the military and police commanders. We propose an overall struggle of all the people. We will mobilize and urge all people to understand that they are facing a common enemy that wants to frustrate any effort to improve or develop the fatherland. Without this conviction, without this commitment, without the people's cooperation, the actions of our Armed Forces and police—regardless of how tough they may be—will take a long time to eradicate subversion and terrorism, with the loss of many more human lives.

National pacification will not be achieved without the participation of the overwhelming majority of the people, who are today being insanely and inhumanely attacked by subversion and terrorism.

We are also moved by the dramatic situation of the poor, by the situation of the thousands of peasant families who have been forced to abandon their homes, communities, and land because of the prevailing terror. Without resources, and often having lost their personal identification cards, these families migrate in search of the

tranquillity and dignity which has been taken from them. In a country eroded by poverty, these families must resign themselves to living in inhuman conditions and to being discriminated against because of their Andean origin and their lack of identification papers.

The situation of the poor must have an important place within the pacification strategy. We must admit to the poor conditions in which they are living and offer them an opportunity to recover their lives with dignity. And when the appropriate conditions exist, they must have the opportunity to freely choose to return to their original communities.

We call upon the international humanitarian assistance organizations and Peru's nongovernmental groups to join the government in a unified crusade for the poor. They are living testimony to how much pain violence can generate. In the same manner, we welcome the Catholic Church's initiatives for these people.

In view of all this, I want to announce to the National Congress that constitutional President Alberto Fujimori has personally assumed charge of the unified pacification command that will carry out all actions in the sociopolitical and military fields to help the country recover its much-desired tranquillity and peace. Moreover, the president of the Republic has personally assumed operational command of the struggle against subversion, charged with confronting this problem.

The Council for Peace [consejo por la paz] will operate at the same level as the Council of Ministers. The Council for Peace will have an advisory role, coordinating all essential requirements to carry out the national pacification plan. Its support role will include all administrative and logistics needs required for the reestablishment of peace and the defense of human rights.

Drug Trafficking:

This problem, which is now linked to subversion and terrorism, represents a serious national issue. The problem is not restricted to a given area of national territory because its effects involve several aspects of national life. Its negative effects can be clearly outlined in the following manner: Drug trafficking increases the spiral of violence when linked to terrorism. It imbalances the economy with its alluring offer of cheap dollars, which has severe effects on several productive sectors. It corrodes national life with a dangerous and growing influence that can undermine the very basis of our civilian and military institutions. And finally, it forces peasant communities to work the coca plantations, the profits from which are much higher than from any other plantations.

The new provision of this policy is aimed at effectively repressing illegal trafficking and gradually pursuing alternative development for coca growers and for the peasants of the areas who provide the labor for this activity.

To guarantee the effectiveness of this policy, it will be necessary to improve the Constitution and the functioning of the so-called autonomous authority for alternative development [autoridad autonoma de desarrollo alternativo], assigning its leader direct responsibility for the actions carried out within a multilateral action that will guarantee speed and effectiveness in the struggle against this scourge.

Our position on drug trafficking is absolutely clear and firm: to fight it within a framework that places each asset in its appropriate place. We insist that this struggle must be clearly aimed at the traffickers, not at the peasants who grow coca to support themselves. [applause]

To draw a parallel view with another much larger issue, it is not right to blame or punish workers in the weapons factories of other countries, or accuse them of being immoral or of genocide, by proclaiming a policy of peace throughout the world. We must begin by fighting those who traffic in weapons and simultaneously create a collective awareness of the need to eradicate the arms race from this planet. In our case, that means eradicating drug addiction.

Within this framework, an antidrug agreement is being negotiated with the U.S. Administration. The negotiations have not yet been concluded.

Domestic Reinstatement:

Errors committed in the recent and not too recent past have left a large debt for the poorest sectors of our population. As evidence we have the deficits in the fields of nutrition, health, education, housing, labor, and essential services—such as water and electricity, to mention the most important ones—making us one of the poorest countries on the continent.

We must pay this social debt as soon as possible and assume it as our first commitment: the hopes and the very existence of millions of Peruvians are at stake. Domestic reinstatement also means overcoming the serious national disarray which has led to a total lack of communication, to an inadmissible segregation in a country where there have always been superior values opposed to this discrimination. We must seek national harmony and unity in the diversity of our sociocultural values. With this in mind, we propose to organize the productive apparatus by creating links in processing our natural resources, especially our agricultural and mining resources, thus building an industry connected with the other sectors of the economy.

The state apparatus must also be restructured to more faithfully respond to the legitimate interests of the overwhelming majority of the people. We must also overcome the social gaps, including those between the wide-ranging urban and rural sectors, by using the benefits of technical progress and the modern state of the current world. The country's cultural values must be recovered, respecting and upgrading the country's own means of

expression, and education must be a means of socialization and homogenization par excellence.

This domestic debt must not necessarily be paid from top to bottom, as an action stemming mainly from the state. It should also encompass the promotion of people's initiatives which, through various forms, such as micro and small enterprises and cooperative organizations, have managed to create a very dynamic economy which, if given the appropriate guidance, can become a model for the country's future development.

Compensation and Social Development:

Parallel to the implementation of the stabilization policy, the government has assumed the responsibility of promoting special resources and efforts to mitigate the effects of the stabilization on the poorest sectors of our population. I have already mentioned the limitations, what could and could not be done, in fulfilling this objective. For this very reason, and with the goal of improving its administrative and functional structure, a national system of social compensation has been created. The objective of the system is to propose, coordinate, implement, and assess projects and programs in the fields of food, health, education, and temporary productive employment, aiming at the poorest sectors of the country. This system, through its board, will establish coordination mechanisms with existing organizations such as the self-managed mess halls, soup kitchens, health committees, [words indistinct] or similar institutions in civilian society.

This system is made up of state organizations, institutions, projects, and programs that carry out actions in nutrition, health, education, and temporary productive employment, including through the direct assistance program and the establishment of hostels, nurseries, and homes for the elderly.

To improve its effectiveness, the board has been authorized to outline the guidelines of the political aspects within the framework of the government's socioeconomic policy. It will adopt the appropriate measures to establish the mechanisms necessary to integrate state activities and to coordinate the actions of the basic organizations, nongovernmental institutions, and private groups.

The Fund for Social Compensation and Development [fondo de sistema de compensacion y desarrollo social] has also been established to implement policies and financing systems, with resources provided from the public treasury, from national and international agreements—whether repayment is required or not—from donations and inheritances, and from any other public or private contributions.

Regional boards for social compensation and development will be created and organized to extend this program to the entire nation. We are certain that the program's systematic organization will facilitate more consistent, coordinated, and effective work toward its

basic goal: to aid those who are in more desperate need during these difficult times the country is experiencing.

This system will receive almost \$400 million this year. I will detail this aid later.

International Reinstatement:

Reinstating Peru in the world economy does not, as many believe, mean renegotiating with our creditors in order to obtain more credits and donations.

Mr. President, as Economy Minister Carlos Bolona Behr has correctly stated, reinstating Peru in the world economy means transforming our production sector and its infrastructure; reforming the state and state institutions; changing our attitudes; and understanding that, in today's world, implementing barriers to trade and the flow of capital is senseless and anachronistic.

Isolation does not lead to anything positive. Self-sufficiency as an objective is an anachronistic concept. The best way to help Peruvian farmers—who have produced the best potatoes since time immemorial and the best corn in the world—is to promote the consumption of these products at the domestic level and at the international level.

Mr. President, as the economy minister has correctly stated, to reinstate the economy means to make the label. Made in Peru, a symbol of pride, quality, and good prices. It means access to new products appearing in the world markets for Peruvian consumers and access to high technology and equipment developed anywhere in the world for our producers. In doing this, we will be promoting their participation in international markets with new ideas, products, and services.

Reinstating Peru in the world economy is no easy task. This has also been said. This task does not solely depend on what the economy minister does or does not do. This is a slow, difficult process and it demands a joint effort from all sectors—from the government, which is implementing structural reforms to promote the Peruvian production sector; from businessmen, who can and must modernize their industries so they can be more competitive; and from workers, who must master sophisticated procedures and equipment in order to increase production.

Peru must leave behind the vices of an autarkic past filled with excesses and finally dare to fully meet the challenge of effective interrelations with the world surrounding it.

Peru must also promote the interaction of market mechanisms, customs agreements, and international agreements at the Latin American and Pacific Basin levels in order to promote our exports and contribute to a new, more just international division of labor. Only in this way will Peru be able to play an important role in international affairs.

Reform of the State Apparatus:

The pattern of productive growth that we aspire to, the social changes that have taken place, and the international scenario that is already clearly outlined for the 21st century require that we build a new state that is compatible with the new situation.

We need less government intervention, fewer government controls, and fewer government regulations. We need a state that relies more on civilian society and one that effectively promotes development. We envision this state with the following characteristics: A modern state through a vast rationalization of state personnel, services, and offices; a democratic state that will promote the participation of the citizenry by simplifying procedures and access to decision making at all levels and by various means; and a decentralized state that will allow and promote the proper and efficient operation of regional and local governments so public resources and the benefits of development can be equally distributed throughout the nation.

It will be increasingly difficult to govern the country with a state that lacks these characteristics. Moreover, the complex problems will worsen further because of an obsolete, gigantic, and upsetting state apparatus.

We propose the establishment of a powerful, well-organized state that is responsible only for its area of competence, and that does only what is strictly necessary in the business sector.

Protection of the Environment:

The entire human race faces the imminent danger of an ecological disaster. At no time in the history of the human race has the environmental balance been so threatened as in this century. We are already experiencing the consequences of depredation of the environment.

Messrs. Congressmen, today the ecology is an asset that must be safeguarded. Therefore, we must end certain industrial and mining practices that cause irreparable damage to the environment. Development cannot be undertaken without safeguarding the ecology; that is, development and ecology must go hand in hand to safeguard the survival of the human race. [applause]

Peru has many natural resources, like the Amazon region, that are also a patrimony of humanity; therefore, it is also the duty of the entire world to safeguard them. Safeguarding the environment can be achieved on the basis of a better understanding of Peruvian problems, which require foreign cooperation for their solution. No rational, coherent government undertaking can be implemented without safeguarding the environment.

Social Consensus and Political Agreement:

The priority policies that I have just summarized and the overall government program will not materialize without a social and political consensus. We need the consensus of social and institutional forces; this will be the foundation of the great task of rebuilding and developing

Peru. This great foundation must encompass the vast majority of Peruvians, who will be direct beneficiaries of the work to be undertaken and who must all identify themselves with this proposal for exhaustive national changes. No project or program, however small or large, easy or complex—such as pacification—will be possible without a social consensus.

Moreover, a basic political agreement among the democratic forces and political parties that seek the well-being of our nation is indispensable. In this regard, I must reassert that this kind of political agreement should not interfere or damage the legitimate aspirations of political parties or the free exercise of their rights, which can only be upheld during full enforcement of democracy.

Mr. President, once we resolve the five specific problems we have just discussed, this social consensus and political agreement will allow Peruvians to show the world that we are able to unite in order to face and overcome the perilous situation we are currently facing.

Sectorial Policies:

Mr. President, I will now summarize the government's plan by sector.

Presidency of the Council of Ministers:

This council has restored intersectorial coordination of the state's executive role through regular functioning of the interministerial Commission for Social Affairs and the interministerial Commission for Economic and Financial Affairs, as well as the Subcommission on Regional Affairs formed by the vice ministries. The activities of the various state organizations are being organized to establish regular, permanent links with the regions, and policies designed to decentralize the country are being implemented. The government is promoting support for activities carried out by municipalities throughout the country so they can become the true local governments and promoters of development in areas under their jurisdiction. The necessary conditions are being created for granting technical support and advice to the government in the preparation of policies and the democratization of decision making.

Social Compensation and Development System:

First, I want to point out that the social compensation and development system is a short-term tool for this government to fight extreme poverty. This system strengthens economic stabilization efforts by humanizing the economic plan, which I will describe further on.

As is public knowledge, Presidential Decree No. 56, dated 15 March 1991, established the functions of the national social compensation and development system, which is designed to formulate, coordinate, execute, and evaluate projects and programs related to nutrition, health, and education and projects designed to create productive temporary jobs for the most needy Peruvian sectors. The 1991 national budget projects a total of 180 million intis for this purpose. In addition to this, there is

a possibility of obtaining \$120 million in international technical aid in the form of food, medicine, and financial aid to create jobs. Of the projected 180 million intis, the national treasury plans to spend 56 percent of the money on food aid. The remaining 44 percent will be used to generate large-scale productive job opportunities.

The following is a detailed account of the nutrition program: 149 million intis will be spent on 500,000 daily rations for soup kitchens, 1,500,000 daily glasses of milk for schoolchildren, 1,000,000 rations of food supplements for school children from low income families, and 50,000 daily rations for tuberculosis patients and other high-risk patients. This means focusing aid on the extremely poor sectors on the outskirts of urban areas and in rural areas. In addition, and in response to the problems prompted by the cholera outbreak, we have drawn up a package of measures with an initial budget of \$20 million, which will be spent on medicine and other supplies required by cholera patients. Another \$20 million have been channeled to finance employment projects to improve the infrastructure of the education and health sectors; I will list these further on. We intend to prevent the cholera epidemic from becoming endemic.

Moreover, we seek to get rid of social assistance programs [asistencialismo] and to do this we have drawn up a policy on creating large-scale job opportunities. A total of 117 million intis have been earmarked for 1991 to initially finance the 206,000 temporary jobs that we have in mind. This budget will finance the following programs: support to the Andean rural infrastructure, support to the private fishing industry, support to the highway infrastructure by opening new roads, development of the river basins and projects to prevent disasters, support to health programs, and activities designed to improve the infrastructure of the education and health sectors. In sum, with the support of this national and international effort, our government will continue its struggle against extreme poverty, seeking to cushion the burden that the short-term economic policy represents to lower income sectors in Peru.

Decentralization and Regionalization:

As we have already stated, the economic policy as well as the structural changes that are being implemented in the economic field are laying the groundwork for new, truly decentralized development. We believe that the regionalization process should be part of the comprehensive effort to reform the country. We do not believe it is feasible or correct to carry out a regionalization process that is alien to the new development strategy the government is implementing with the aim of overcoming the crisis and building a trustworthy country moving into the 21st century.

We believe the regionalization process is an important tool in turning Peru into a democratic, decentralized country. Therefore, this process must not be subject to the rules of temporary policies, but should rather be the

starting point in a search for a great national understanding that will allow decentralized development. For this purpose, we must improve and correct the regional law currently in force in order to guarantee its democratic and decentralizing nature. This means coordinating the regional process with the national development program and at the same time, bringing the decentralization process to society's grass roots, thus upgrading the role played by the municipal governments. For this purpose, we have enacted Presidential Decree No. 41, which establishes mechanisms for coordinating regional policies so the different issues of the national and regional governments may be discussed in open, frank, and positive dialogue.

We are about to start a new phase in the relationship with regional and local governments. What better way than to be able, through the coordination of policies, to include regional requirements in sectorial and overall decisions of a national scope in order to fulfill, by building a united, but decentralized, state, what has been established in Article No. 79 of the Constitution.

Therefore, we agree with the proposals made here in Congress to amend the Constitution and to establish direct, secret, and universal election of all members and presidents of regional assemblies. [applause]

We admit that it is a wise initiative and support this attempt to perfect our Constitution. We declare that a revision to consolidate this process by no means represents a step backward in the decentralization and regionalization process that the country has urgently demanded for so long.

National Institute of Public Administration:

Objectives: To carry out the process designed to reorganize the central administration, regional administrations, public and centralized institutions, development corporations, and special projects; to perfect the organization and functioning of the executive branch and administrative systems; to perfect the overall framework and operations of public servants' careers and the remunerations system in public administration; and to consolidate the process to cut back bureaucracy.

National Statistics and Computer Science Institute [Instituto Nacional de Estadística y Informática]:

Objectives: To carry out preliminary arrangements for nationwide censuses—the ninth census for population and the fourth for housing; to carry out the third national economic census; to conduct a national poll on consumption at the national and regional levels; and to conduct a housing and health poll at the national and regional levels.

National Population Council [Consejo Nacional de Población]:

Objectives: A plan to support priority sectors currently being discussed with the Inter-American Development

Bank [IDB] and the Netherlands and Spanish Governments; coordinated projects with multilateral organizations such as FAO [UN Food and Agriculture Organization], PAHO [Pan-American Health Organization], and UNICEF to link their current programs to government projects to aid the people; family planning projects coordinated with CARE [Cooperative for American Relief to Everywhere]; PRISMA [expansion unknown], and OPASA [expansion unknown] in Puno, Cajamarca, and Trujillo Departments; improve communications in towns through an agreement with AMIRET [expansion unknown] and financial aid of one FPA [expansion unknown] on a nationwide level; support to regional governments through agreements; financial aid in FPA's for the Grau, Amazonas, and Mariategui regions; and statistics regarding population.

National Science and Technology Council, Concytec:

We intend to promote, encourage, and support periodic publications of a scientific and technological nature as well as the organization of scientific and technological events; to promote regional development by identifying projects and by participating in the solution of problems of a scientific and technological nature closely linked to economic and overall development; to support research carried out by the public and private sectors with resources supplied by Concytec; and to obtain financial aid for research programs with resources from the public treasury.

National Development Institute, Inade:

Special hydraulic projects: Carry out negotiations with the Chimu consortium to review the plan to expand the Chavimochic project; obtain Italian financial aid to establish an agricultural development office; make proposals on strategy for the second phase of construction of the Majes hydroelectric plant; and review the Pasto Grande agricultural development project.

Special projects: Resume construction of the (Ichocruz)-Chiara tunnel within the Rio Cachi project; begin construction of the (Chiarazo) water intake of the Rio Cachi project; restore 14 km of highway within the Lake Titicaca project; promote the recovery of (ILADE) land within the Lake Titicaca project; carry out technical research for the recovery of 3,000 hectares of (Taraco) land within the Lake Titicaca project; speed up technical studies and the creation of the Titicaca-Desaguadero system within the Lake Titicaca project; carry out negotiations to hire a consultant in charge of drawing up the overall binational master plan for the Titicaca-Desaguadero-Salar system within the Lake Titicaca project.

Special projects for the jungle area: Begin construction of the (Gera) hydroelectric plant within the Central Huallaga-Lower Mayo project, which is currently in a trial stage; begin production on 3,000 hectares of irrigated land and begin operation of the (Cisa) irrigation system of the Central Huallaga-Lower Mayo project; gradually start using equipment from the (Pichipalcasu) project to

preserve roads in the central jungle region; start preparing the second phase of the Jaen-(San Ignacio Baua) project for submission to the IDB; and prepare an experimental plan to further develop towns on the Peruvian-Brazilian border within the Madre de Dios project.

Mr. President, an annex that will be distributed to the congressmen lists the goals of the following projects: (Hullango)-Tumbes, (Chura)-Piura, Horno, (Dinajones), Jequetepeque-Zana, Chavimochic, (Chinecas), Majes, Pasto Grande, Lake Titicaca, Jaen-(San Ignacio Baua), Central Huallaga, Central Mountain Range development, Alro Huallaga, Madre de Dios, and Rio Cachi.

Foreign Affairs Ministry:

Mr. President and Messrs. Congressmen, Peruvian foreign policy seeks to efficiently respond to the country's main domestic and international problems. We are all aware of our problems. Peru has become gradually isolated from the rest of the world, not only in the financial and commercial sectors, but even in the cultural sector. Moreover, the current international situation poses new very complex and difficult challenges.

Drug trafficking, subversion, and deterioration of the environment in our interior give us the appearance of a troubled country that cannot solve its problems. This is why our foreign policy will be decidedly centered on reinstating our country in the international financial community, on increasing our exports and tourism, on disseminating our culture, and on combating drug trafficking and subversion, which are important problems not only in Peru, but abroad as well.

In order to attain these goals the Foreign Ministry has set the following priorities: To intensify and strengthen our ties with neighboring countries; to firmly support the Andean and Latin American integration processes; to direct our action toward the great developed centers—North America, the EEC, and Japan; and to attain—given our location within the Pacific Basin, which is considered the 21st century's great economic center—our transoceanic projections through agreements with Brazil, Bolivia, Uruguay, Paraguay, and Argentina for the construction of roads and railway lines to connect Peruvian ports with those of the aforementioned countries.

As critical points, we mentioned Peru's need to join the international financial system, to carry out a struggle against subversion in order to protect our democratic system and promote and protect human rights, to completely solve the drug trafficking problem, and to defend the environment—the deterioration of which is affecting the regional and world ecosystem and is posing serious additional problems for our national development. These are, Messrs. Congressmen, the four most important challenges for Peruvian foreign policy in current history, at the end of the 20th century, to which we must add traditional Peruvian foreign policy.

International Reinstatement:

First, I want to refer to the focal point of our current international policy, which is our reinstatement in the international financial system. The Foreign Ministry and diplomatic service actions will be centered on increasing the negotiating capacity of the Peruvian team that is carrying out these negotiations and on creating the necessary conditions to attain this goal. The Foreign Ministry has efficient personnel in its foreign representations; these personnel are helping in this task by providing information and support in coordinated actions with our negotiating team. These efforts are being carried out before international credit organizations and foreign governments. Our president's attendance at the IDB board of governors meeting in Nagoya [Japan] was favorably received by the international financial community and served to make the creation of a support group more feasible.

Mr. President, I must make a brief comment here. The president's main objective in his trip to Nagoya was not just to present a program, but to present a program that is being fully implemented to the international financial community, to over 3,000 attendees, and to millions of Japanese citizens so they could see that the Peruvian program is under way. Thus, we have obtained Japan's firm cooperation and participation in the support group for renegotiation of our foreign debt.

The president's trip to the PRC was meant to open and intensify our relations with this great market. All developed countries are turning to this market. We must do the same because we are on the Pacific Basin. The PRC has less sophisticated products, which are more appropriate for a better exchange with our country and vice versa. The technological conditions in the PRC and Peru are very similar, which is why the PRC is a very appropriate market for Peru.

We must also confirm our trade relations with Taiwan. The president has visited the PRC, but our relations with Taiwan in the trade field continue, as always, to be strong. [applause]

Drug trafficking:

We have maintained that the phenomena of drug trafficking is multidimensional. Its origin is drug consumption and there must be a shared responsibility; this principle was confirmed at the highest level in the antidrug trafficking convention signed in 1989, which is waiting for congressional approval. This is an international phenomena; therefore, it is included within the scope of foreign affairs. The whole drug trafficking process—the cultivation of coca and its processing, transportation, and sale—affects several countries. Currently, it constitutes a negative international syndrome that can only be countered by all the affected parties.

There are two approaches to this issue: a bilateral one which concerns our relations with the United States, the main consumer of this drug, and a multilateral one which concerns international organizations in charge of repressing illegal drug trafficking and with whom our

country actively cooperates. We have stressed the need for economic cooperation in order to create practical economic conditions for substitute crops so they can compete with profitable coca crops and thus, discourage coca cultivation. Unfortunately, given the current poverty conditions in areas where coca is cultivated, coca is highly profitable for its farmers. Some of our objectives continue to be joint responsibility between the producer and consumer countries and obtaining financial resources through agreements, as established by the Cartagena accord. Fortunately, the developed countries are beginning to understand this whole problem. We are carrying out the necessary complementary negotiations on this basis.

On this subject, Mr. President, I would also like to recall that the drug trafficking agreement that will be signed with the United States is not only under negotiation, but it was a Peruvian proposal. The United States is reviewing several of its aspects. Observations have been made and the negotiations continue.

Subversion and Terrorism:

Social violence in its forms of subversion and terrorism is another of the main problems that affect our country and is now associated with drug trafficking. External action is also necessary in this field. International cooperation and an overall security system are necessary in order to implement an effective internal policy to solve these problems. It will also be necessary to have more intensive intersectorial coordination to establish a firm, clear policy that will become the basis for effective, coherent action abroad.

Gentlemen, an effective reinstatement of Peru in the international community depends on implementing an adequate policy to fight the scourge of subversion and at the same time, to protect and promote respect for human rights. The president of the Republic believes that the struggle against terrorism must be carried out on a broad front. The struggle cannot be separated from the promotion of investments, basic development, reform of the state administration, and especially, the protection of human rights. Therefore, the work of the information service must be aimed at the international level, in particular, to report on actions being carried out by the government for pacification and information on the real nature of subversive action, which directly affects human rights.

Bordering Countries:

As it has already been said, reinstatement into the international community is an overall concept that involves all aspects of government foreign policy. Within this context it is particularly important to note consolidation of the links Peru has with its neighboring countries, especially in the fields of economic complementarity and physical interconnection. These links must be strengthened to compensate for actions carried out by other economic integration mechanisms such as the Common Market of the South, Mercosur, made up of

Argentina, Brazil, Paraguay, and Uruguay, and the Group of Three made up of Colombia, Mexico, and Venezuela, which will logically tend to integrate.

Process of Andean and Latin American Integration:

An area of foreign policy that the government will have to strengthen is Andean subregional integration. Under current circumstances, the Andean Pact is the instrument through which Peru can carry out an adequate participation in the political and economic activity of the region. In this regard, fulfillment of the Act of La Paz—which includes the Andean Common Market as one of its aims—will be the best way for our country to participate in efforts to be carried out this year to have the region recover from its current stagnation.

Our active participation in the Rio Group is particularly relevant because of the political and diplomatic actions we are carrying out. One area in which the mechanism of political consultation and agreement has proven to be very useful for the interests of countries in the region is the dialogue with other regions, such as the dialogue with the EEC.

Actions Toward the Large Developed Regions of North America, the United States, Japan, and Asia:

The Foreign Ministry has been evaluating the situation on the changing international scene to facilitate reinstatement into the international community, especially through promotion of the export of our traditional and nontraditional products, and to obtain greater tariff benefits from commercial blocs such as the ones given to the Andean countries by the EEC in 1990. Peru has also decided to participate in President Bush's Americas Initiative, as well as to implement greater cooperation with developed countries like Japan.

Pacific Basin:

The projection of our country toward the Pacific Basin is a constant concern of Peruvian foreign policy. The Foreign Ministry has, therefore, carried out the necessary actions to enable our country to participate in the basin's current process of integration and cooperation, taking into consideration the opportunities available to strengthen our foreign trade and attract more investments. This effort paid off with the recent admission of our country into the Economic Conference of the Pacific Basin, which is the most important organization in this region. The Foreign Ministry is coordinating with different national sectors Peru's participation in this organization in order to be able to obtain effective cooperation from the Pacific Basin countries. Within this context, we are preparing for Peru's participation in the upcoming PIC [expansion unknown] meeting in Singapore next May.

Bioceanic Project:

One of the main objectives of Peruvian foreign policy is the bioceanic project. This is represented by the Los Libertadores inter-oceanic corridor project which will

link Matarani with La Paz [Bolivia] and Buenos Aires [Argentina], as well as the use of the Amazon River system and the Amazon region link to Brazil by road, which will benefit both countries.

Within this context, we are also paying special attention to the road to Bolivia which will allow that country access to the Pacific Ocean and will facilitate bilateral trade through the Ilo-Desaguadero region.

Defense Ministry:

The problems related to national defense should be a permanent concern for all Peruvians. The critical situation faced by the country is being aggravated by the constant progress being made by subversion which, in alliance with drug trafficking, seeks to jeopardize our democratic system. The Armed Forces must fulfill their constitutional responsibilities related to guaranteeing independence and national sovereignty. They must also protect the territorial integrity of the Republic and control internal order in emergency situations. They will participate in the economic and social development of the country and in civil defense. Of the three responsibilities entrusted to the Armed Forces, the one related to the control of internal order has currently received special attention. The priority concern of the government is to eradicate subversion and its links with drug trafficking in order to achieve national pacification.

The operations being carried out in the military field seek to eliminate the subversive groups which refuse to put down their arms, and to put those who surrender at the disposal of the courts. In all cases these actions will be carried out in accordance within the framework of the Constitution, the laws, and with full respect for human rights. Another important objective is to get the support of the population and their active participation in the organization of their self-defense with the adequate support of the Armed Forces.

For antisubversive operations to be successful, yet economical and effective, special attention and impulse will be given to intelligence activities and to the integration of the entire system. The government will give priority to development as part of the national defense program by promoting the poorer zones that are affected by subversion with the active participation of all sectors.

The actions carried out by the Armed Forces, in accordance with their responsibility of contributing to the socioeconomic development of the country and to civil defense, should seek to achieve national pacification. In order to do that the Armed Forces must carry out development projects in the poorer sectors and in the zones affected by subversion. The Armed Forces must also participate in other activities such as providing adequate security so that development can be carried out without any threat.

One of the main objectives which has special importance, both for the defense sector and also for the security of the socioeconomic development of the

country, is related to the operational capabilities of the Armed Forces to fulfill their constitutional responsibility on internal and external fronts. The operational capabilities of the Armed Forces must not get so low that they become incapable of fulfilling their mission of guaranteeing the security of our borders and of continuing to fight on the internal front against the subversives who work in league with the drug traffickers.

Within the context of the current situation, the defense sector should receive preferential attention for the appropriation of resources so that the Armed Forces can recover their operational capabilities.

Economy and Finance Ministry:

During August 1990 the new government implemented a stabilization program with the following three basic objectives: to reduce the inflation rate to international levels, to increase foreign reserves, and to protect low-income sectors from the effects of the crisis.

This program, which is being implemented with responsibility and coherence, immediately created the desired effects despite the negative affect of the national and international situation. In fact, a quick recovery of international reserves was made and 1990 closed with a positive balance of almost \$700 million. The inflation rate was also drastically reduced following a correction to relative prices last August. Tax revenues were substantially increased from 4.5 of the GDP in the January-July period to 6.7 of the GDP in the August-December period. Important new taxes were also imposed for solidarity purposes [tributo de solidaridad] and on insured goods, which affected those who have more.

The stabilization program was successful in fulfilling its basic objectives, but it should, however, be complemented with several basic measures. This is necessary to achieve the final objective of a modern and effective state that will satisfy the basic needs of the population and promote sustained economic development based on a productive structure for export.

In our current interrelated world this goal can only be achieved if we are able to reinstate the country into the international financial system by recovering the position of a responsible nation which fulfills its commitments. This will permit us to gradually receive financial support from the multilateral organizations, with which we will implement development plans. It will also usher in essential support and foreign investment for the exploitation of our natural resources, especially for the great projects in mining and in the oil fields.

Structural Reforms:

It is essential to consolidate our economic stabilization if we are to modernize our country, change its productive structure in favor of exportable goods and services, and reinstate the country into the community of nations. We must carry out a program of structural reforms in both

the state and in the productive sectors in order to make them compatible with the new demands, and more effective and competitive.

If this program is carried out in a coherent manner it will facilitate the reinstatement of our country into the international economic and financial community, and help us to reach agreements on our expired commitments with our creditors. In this regard, several measures have been prepared in the areas of state reform and in economic and social reforms, some of which have already been implemented through measures ordered by the executive branch while others are awaiting the promulgation of laws.

State Reform, Central Government:

A plan is being implemented to reduce the state organizations and to cut levels of personnel through incentive programs for those who want to leave, and to merge state organization in order to simplify or eliminate bureaucratic procedures. This plan will return the state to its position of being a promoter of economic activity and will allow it to concentrate on measures to satisfy the basic needs of the population, such as health and education, and provide the needed infrastructure and security.

State Business Activity:

The government will sell state companies and their assets and liquidate companies that are unproductive or inefficient. The government will also sell some special state rights. This action will create the necessary resources for social programs and will also return to the private sector the activities it successfully handled in the past.

The government has promulgated a presidential decree that orders the sale of the first group of state companies. Their sale will provide us with experience in the privatization of each individual sector. It will also give us a better understanding of which companies will sell better.

Economic Reforms:

Foreign Trade:

We intend to base our foreign trade policy on free competition, on streamlining the national productive apparatus, and on promoting exports. The total reform of our foreign trade mainly foresees: The reduction of customs duties and the establishment of two duties, one of 15 percent on capital goods and components and one of 25 percent on consumer products; the elimination of many non-tariff barriers which hinder foreign trade and make products more expensive; the total reorganization of the customs office; and the modernization of ports and airports.

We will establish special benefits for the export sector. These will include a temporary import system and a tax rebate on non-traditional exports. Finally, to face unfair competition, we will establish antidumping measures,

and we have begun to eliminate the state monopolies involved in foreign trade and to incorporate their activities into the private sector.

Financial Sector:

The government is aware of the need to act rapidly to solve the serious problems that affect the financial sector. We are implementing a financial reform program, the main objectives of which are to increase the mediation level, to reduce financial costs, to improve the quality of financial services, and to improve the solvency of the system. A deep financial reform will require several changes that cannot be implemented in the short term. Some specific measures, however, have already been implemented to increase the efficiency and freedom of the middlemen and to make decisions and reduce costs. These measures are: the liberation of the exchange market; the liberalization of the dollar interest rate policy so as to allow interests to be set according to market demands; the unfreezing of foreign currency bank certificates; the elimination of monopolies in the insurance and reinsurance credit markets; and the liberalization of insurance premiums.

The government is preparing a new insurance and banking law that will promote the development of the financial sector in which the allotment of resources and the interest rates will be established by the market, not by the government.

Finally, we are studying the rationalization of the government's role in the financial system. We are studying the problems of the development banks, and several of these banks are conducting personnel rationalization programs. We have also announced the privatization of the Peruvian Popular Bank which we hope will soon be followed by the privatization of other financial institutions. [passage omitted]

Health Ministry:

Messrs. Congressmen, in view of the seriousness of the cholera epidemic, I must begin my report on the health sector by detailing the actions being carried out to confront this delicate problem.

The Current Situation:

Ten weeks after the outbreak of the cholera epidemic in Peru, we have received reports of cases in nearly the entire country. A total of 139,461 probable cholera cases have been reported, of which 51,526 have required hospitalization and 963 have unfortunately resulted in deaths.

In the cities of Chimbote, Trujillo, and Piura, the epidemic is receding, but nevertheless it is still active in the rural provinces along the coast and in some mountainous areas. Relatively few cases have been reported in the jungle.

This complex situation requires the simultaneous implementation of various development strategies.

The cholera control program being implemented includes, among others, the following measures:

- to increase the media campaign that seeks to educate the people and reduce the risk of contracting the disease;
- to coordinate among the various sectors actions that will halt the epidemic, reduce the possibility that the disease will become endemic in the country, and prepare ourselves for a probable new epidemic next summer;
- to reinforce the health services that have experienced a significant reduction in their funds and in their ability to treat those infected;
- to increase the personnel available, especially in the health sector; and
- to increase epidemiologic research in order to determine the transmission mechanisms and the sources of this epidemic.

It is believed that this epidemic has cost to the state \$1 billion in economic losses arising from the reduction of foreign trade, tourism, and the domestic trade of some foodstuff products.

The funds that the state has allocated, and must continue to allocate to control this epidemic does not merely represent action, it represents an investment to protect our economy in general.

A multi-sector commission has been established through a ministerial resolution. This commission will coordinate the actions against the cholera epidemic. This commission will coordinate ways to ensure that government actions against this epidemic become more effective and more efficient.

Agriculture Ministry:

The government has sought to achieve a sustained reactivation of agriculture since 28 July [1990, date on which Alberto Fujimori's government assumed power].

The government has issued economic measures that seek to remove the traditional causes of price discrimination against agricultural products as compared to industrial products and imported products. The removal of the MUC [Single Exchange Market] dollar was the first important step in this direction, thus preventing unfair competition from imported agricultural products.

The tax reform also represented another very important measure toward the development of the agricultural sector. Through this measure, the government has removed the secular discrimination against agriculture.

Agricultural and Livestock Sector Activities, Economic Policy, and Price Policy:

The sector's price policy includes the following mechanisms:

A guaranteed price policy that seeks to increase the farmers' income and to encourage them to produce more and thus close the gap between consumption and production of foodstuffs.

This price policy must be combined with a productivity increase through an aggressive transfer of technology.

The guaranteed price policy would be properly financed through an additional fee on imported foodstuffs that would be channeled to an agricultural reactivation fund.

The government is implementing a minimum-price policy on the entry of imported foodstuffs. This policy will remain unchanged throughout the agricultural campaign to prevent our producers from being upset by sudden fluctuations in international prices.

The government will promote free competition, production, and marketing of goods and services within a market economy, seeking to remove the excessive margins that some merchants and industrialists have maintained for many years. Consumer prices will be defined by supply and demand.

Recovery of the Funds Used to Finance the 1991-2 Agricultural Campaign:

The government will promote greater participation by the private banks in financing the agricultural campaign on the coast and in establishing the technical and legal mechanisms that will enable land and other agricultural goods belonging to producers to be used to obtain mortgages.

The Agrarian Bank will partially recover its working capital by collecting real interest rates. It will preferably conduct its activities in the mountainous and jungle regions [words indistinct]. The Agrarian Bank must significantly reduce its operational costs.

Public Investments in Agriculture:

Public investments will supplement and not substitute private investments in agriculture.

Public investments will preferably improve and expand the agricultural infrastructure required to increase productivity, by identifying and selecting projects in a concerted manner between the state and the producers.

The government will continue to expand areas of farmland through small- and medium-sized irrigation projects and through the recovery of farm strips [andenes], especially in mountainous and jungle regions, and by promoting the participation of private investment in the incorporation of uncultivated land on the coast. Although the government will not undertake any new large irrigation projects, it will continue to selectively develop existing large-scale hydroelectric projects on the coast.

Forestry and [word indistinct] Policy:

Forests will continue to be managed on the principle of sustained yield. Therefore, the government will promote the conservation of the forest ecosystems as an economic and social development measure for rural communities.

The National Forestry Plan foresees the implementation of 72 projects.

Structural Reforms and the Role Played by Public Enterprises of the Sector:

It has been considered necessary to restructure the ENCI [National Enterprise for Industrial Marketing] to include the Ecasa [Rice Marketing Enterprise], so that it can operate within a free competition framework, removing its exclusive rights on wheat, rice, sugar, and wheat flour imports.

At least one public enterprise must be maintained as distortions have been confirmed in the agricultural sector, distortions that cannot be overcome through other policies.

This public enterprise would have the following functions:

- to market (?jungle) products and Andean crops;
- to [words indistinct] corn and rice;
- to provide purchasing power when, for seasonal harvest reasons or for low market development reasons, the prices paid to producers are lower than production costs;
- to pointedly intervene in food imports when the market situation requires;
- to provide marketing services at the request of third parties in order to promote competition; and
- to support the social emergency program through the experience and distribution outlets of these enterprises.

The reorganization of the popular marketplaces, currently under the presidency of the council of ministers [as heard], must contemplate the surrender of the active crop-trading centers and markets to the private sector.

The state must only participate through wholesale operations on just a few basic products.

Land Ownership:

Concerning land ownership, the following actions must be carried out as a priority:

- to complete and improve the title deeds system and the ownership registration of rural properties in Peru's three regions according to the various types of ownership, thus providing due security for the owners;
- to propose the appropriate legal changes in order to enhance productivity and production at the sugar farm cooperatives; and

—to promote private investments in the incorporation of new farmland, seeking to ensure that sophisticated farming techniques with irrigation technology and advanced entrepreneurial models are implemented.

In order to carry out this reform, an agricultural sector bill is being drawn up. This reform includes among other topics, land ownership, the management of water and forestry resources, and the role of the state.

Support for Producer Organizations:

The policy in this sector will pay special attention to the institutional strengthening of producers organizations. This policy will ensure that farmers conduct and control a good portion of the sector's services.

The government will facilitate and implement the initiatives of producers. For example, the following actions will be promoted:

- the formation of service cooperatives, and savings and loans cooperatives similar to existing rural funds;
- the supply of services for the marketing and importation of inputs;
- technical training in public and private activities;
- the introduction of small- and medium-sized farmers into the non-traditional exports (?system);
- the identification of watershed area investment projects;
- an active reforestation policy, implemented jointly with peasant communities, to increase the supply of firewood and charcoal; and
- the creation of a rotational stock of improved seeds.

Labor and Social Promotion Ministry: [title as heard]

Employment:

Our efforts will be directed toward gradually overcoming underemployment. The government will foster and support, among other points, the encouragement of productive employment through self-employment initiatives, and the legal establishment of micro-, small-, and medium-sized enterprises that must, gentlemen, represent a key sector within the new economic order and social development strategy.

The government will provide economic, technical, legal, and administrative advice to enable the above mentioned entrepreneurs to register and obtain the correct credentials.

Likewise, Mr. President, the government will encourage the participation of the people and their organizations in actions designed to create employment and income by establishing corporate entrepreneurial mechanisms, community, craft, and cooperative enterprises, and other

self-supported mechanisms which, by using the unemployed better-trained work force, will create employment through the extensive use of internal resources.

Private enterprises play a significant role in monitoring the massive unemployment in our country. The different sectors will reach agreements that will facilitate the creation of employment opportunities.

Intermediary actions in the labor market will be developed by creating vacancies and by evaluating and giving jobs to the unemployed, including jobs for disabled persons and the elderly, and the development of special programs.

Youth:

In order to awaken expectations and to direct the talents, skills, and abilities of young people, job, vocational, and employment advice will be available on a permanent basis.

In keeping with the employment policy and the national development requirements, an effort will be made to guarantee and extend the professional training of young people as a way to improve the productive integration of employees into economic activities, overcoming unemployment and underemployment, and improving their incomes.

To this effect, the government will support and conduct technical and entrepreneurial training programs in accordance with the requirements of sectors of the population that have yet to achieve these benefits, including suburban workers.

Gentlemen, the young people are for us a priority. We will organize and promote, within our possibilities, their technical training, helping them to become incorporated into productive activities in accordance with the characteristics and development requirements of the region in which they live.

In addition to these training efforts, we will seek to establish guarantee funds that will allow young people to gain access to the labor market, thus creating employment and developing productive activities.

In the interests of coordinating, arranging, and planning employment and professional (?training) actions, and in order to better use our technical, economic, and infrastructure resources, we will reactivate the respective inter-sector coordination commissions in which employers, workers, and institutions will participate.

Society must be concerned about the needs of young people.

Social Security:

Improving the standard of living of the population involves gradually meeting their basic needs.

Given its limited funds, the efforts of this ministry will be directed toward assisting the population through

regulations and policies involving the democratization of the health service, by reinforcing and directing its actions for those who currently enjoy social security benefits and also for those who are not yet enjoying those benefits. [passage omitted]

Furthermore, we will draw up regulations designed to provide reasonable solutions that will grant legal guarantees to the parties in the labor sectors. In this sense, the government welcomes the labor federations' call for an agreement, which matches that made by the government since it came to power.

Labor Union Organizations and Strikes:

The Constitution guarantees basic rights for the workers, including their right to organize and to strike. In this respect, we believe that the right to strike is inalienable. However, this does not mean that rules on striking cannot be created. Moreover, it is a need—not to curtail this right, but rather to promote its use in a timely manner and for a true purpose. Therefore, we are closely following the congressional debate on the draft bill regulating the right to strike.

The policy to create job opportunities and grant workers a better income is an important ingredient of our economic policy designed to promote and channel growth with fairer distribution. Thus, the government seeks to grant all workers adequate salaries by protecting and recovering their purchasing power. To this end, we have established the commission for minimum essential salaries; following technical procedures, it will establish salaries that will adjust to the national reality.

Industrial Sector, Domestic Trade, Tourism, and Integration:

Industrial Sector:

Gentlemen, like most Latin American and Asian countries, Peru has substituted imports as a model to begin its industrial development. All the alternatives to this model have been tried, raising the bureaucratic and control role played by the state and its enterprises to levels much higher than those required in other countries. Peru has developed a basic industrial apparatus that must be perfected and expanded. This industrial apparatus includes, on one hand, about 200 large industries with 200 or more workers that directly provide jobs for some 100,000 people and account for approximately one-third of the country's overall production. On the other hand, there are about 14,400 medium and small enterprises in the formal sector and several thousand other enterprises in the informal sector that provide jobs for about 700,000 and account for two-thirds of all Peruvian production. One out of every five dollars produced in our economy comes from the industrial sector, whose annual production value—despite the fact that it is 30 percent below the level reached in past years—stands at approximately \$8.5 billion.

We only mastered primary technology such as commerce, agriculture, export, and mining about 40 years ago. Today we have learned to engage in industrial activities. We have not only amassed capital capable of exporting ready-made cloth or metalworking industry products of the highest quality to all continents, but, what is most important of all, gentlemen, we have developed human resources for industrial activities; that is, businessmen, engineers, technicians, managers, [word indistinct], specialized workers, and all kinds of experts in the most varied fields and functions necessary to create and develop industries.

This is the true treasure we have developed during the past four decades. Our government is determined to improve this treasure. Therefore, as you can see, we do not have only problems. The cost of implementing this model, however, has been very high. The entire country has had to pay a very dear price.

The collection of resources from consumers and other productive sectors allowed the country to create a basic industrial base. This structure was going to be liberated of all artificial subsidies in the future, an argument which justified preferential treatment.

When we speak of costs, we have to make clear that import substitution is expensive, but not as expensive as bureaucratic inefficiency, bad administration, and irrational policies made it in Peru. It would not be fair to blame our industry for all the wrongdoings in the country. The entire society has to bear responsibility for the economic decisions that forced not only industry but all our economic activities to operate irrationally and in a disorderly fashion.

Consistent with, and in addition to, the comprehensive macroeconomic plan that seeks to make our economy more efficient and complementary, the following changes will be implemented in this sector:

The elimination of the state's paternalistic attitude and desire to control everything;

Labor in the industrial sector will have a completely different meaning and orientation. We are going to get rid of the interventionist and divisive policy of the past and make every effort to become *ad honorem* partners with all initiatives and actions designed to create new enterprises and to improve and reorganize already existing ones;

The elimination of red tape. Some new industrial sector procedures have been implemented: The requirement to submit an annual production estimate has been abolished, as has the requirement—which had been suspended anyway—to renew the registration of enterprises that export nontraditional goods, goods which were being studied to determine if they were essential for national consumption or not. Support proceedings have been speeded up. We will give our total support to applications that will support the industrial sector;

A review of restrictions by [word indistinct] and certifications. The industrial sector will review all compulsory regulations, as well as all dispositions on packaging and titles, in order to make their application more flexible and to prevent them from becoming an obstacle to domestic and foreign competition;

Reorganization of the (Indec). The internal structure, functions, and objectives of this institution will be reorganized and reoriented. This institution will stop operating almost exclusively as a control entity to sponsor voluntary quality control programs and to investigate and select appropriate technologies for the national industry;

Elimination of monopolies and certifications. We are pleased to announce that in all quality certifications, whether due to the appreciation of imported goods or the domestic trade of national or imported goods, the firms involved will be allowed to choose between presenting a quality control certificate issued in Peru or abroad [words indistinct] as an alternative to quality certifications on imported goods that are provided by the (Indec);

Institutional reconversion toward promotion. The Industry Ministry will implement a profound reorganization to become an institution dedicated to entrepreneurial promotion and service in the areas of industry, tourism, commerce, and housing;

This ministry must be a permanent ally for people who want to create companies. It must help future firms to effectively eliminate administrative and legal hurdles that prevent the reorganization of company structures, production changes, joint ventures, and productive reorientations to escape from inefficient policies;

Small firms. We will implement particularly strong and ambitious efforts to help small formal and informal firms. Small firms will be included in the industrial program and will be incorporated with firms that are already providing more specialized services. We will give priority support to activities such as industrial design, fashion, canning, packaging, quality control, equipment maintenance, and technological alternatives. We will implement a specific program to support the areas of information, commercial intelligence, marketing, and sales for domestic as well as international markets, in recognition of the special limitations of small firms. We will also implement the concept of industrial zones in the regions to establish industrial capacity in the different districts;

Credit lines and guaranteed funds for small firms. The Industry Ministry will promote the creation of credit lines for investments in equipment and technology for mid-size firms. We are pleased to announce that we already have a \$6-million credit line with very reasonable financial conditions to start the process. We will aggressively pursue another credit line of \$25 million for the same purpose. We will establish a financial office at the Industry Ministry to fully support the initiatives of

small entrepreneurs and to help evaluate their credit applications. Finally, we will reinforce the small firms guaranteed fund, taking advantage of ministry resources provided by the unified registration tax, other resources, and additional funding that is still being negotiated. The objective of this fund is to provide access to credit for especially worthy initiatives;

Industrial free trade zones. Government policies in this area will be as follows: In the initial stage, the government will concentrate its promotional efforts on the selected free trade zone of Ilo to stimulate exports. The government will progressively support other initiatives, preventing an initial dissemination of efforts. We will perfect preferential treatment for [word indistinct] with the use of the previously mentioned mechanisms. We will send a bill revising and improving Law 2510 on industrial free trade zones to give a more important role to private initiative. [passage omitted]

Ministry of Energy and Mines:

Energy, Electricity Sector:

Since the economic reactivation process will necessarily result in an increased demand for and consumption of energy, and since the most expensive energy is that which is not available, we have established the following priority programs:

To expand the reorganization processes and improve the efficiency of Electroperu [Peruvian State Electric Power Enterprise], Electrolima [Lima Electric Power Enterprise], and all other regional public power companies;

To redefine the role of Electroperu and of all regional public power companies through the regionalization process;

To maintain the real level of electricity rates so that Electroperu, Electrolima, and other regional public power companies can continue to implement the technical and financial reorganization process that began in August 1990;

To increase the energy output and the number of power plants through the repair and maintenance of all installations and the extensive use of international financial and technical aid;

To implement a nonconventional electrification program;

To grant buildings to community promotion offices and power companies to implement small-scale electricity programs, an essential factor in achieving rural development;

To regulate the electricity law to allow private investment in power companies;

To draft standard contracts for the sale of electricity through concessionary companies.

Hydrocarbons:

In view of the fact that fuel rates were readjusted in August and December 1990 and April 1991 to avoid the collapse of Petroperu [State Petroleum Agency] and of the hydrocarbon sector; and to avoid the cost that would have resulted from an increase in fuel imports, the following program will be implemented in the hydrocarbon sector:

To extend the reorganization and improve the efficiency of Petroperu and its branches;

To maintain real fuel prices at the domestic level so Petroperu can finish the financial rehabilitation process that began in August 1990. This means that, at the domestic market level, Petroperu's average price will be \$1.58 per gallon;

To coordinate a sales system for oil by-products with regional governments;

To increase oil production and oil refining to a daily average of at least 133,000 barrels and 164,000 barrels, respectively, in 1991;

To increase risk investment in the [words indistinct] of oil areas, guaranteeing the security of contract companies that are currently operating in the country;

To guarantee the necessary investments for the replacement of assets and the various exploration, production, and maintenance programs, etc.;

To continue negotiations for the exploitation of the Camisea gas deposit, including the resumption of negotiations with the Shell Company as well as with other possible investors who wish to associate themselves with the state in this important project;

To promote the investment of private capital in other Peruvian oil refineries where private sector financial and technological support is needed to establish more modern and efficient oil plant installations;

To consolidate the National Conservation Energy Center [Centro Nacional de Conservacion de Energia], Cenergia, to promote the replacement and rational use of energy at the source, in the power plants, by consumer sectors and individuals, and to study the effect of the consumption of energy on the environment.

Nuclear Energy:

To promote the development of specific programs, particularly ones which promote the development of research programs for the use of nuclear energy in the fields of health, agriculture, nutrition, energy, hydrology, and the environment.

These actions will seek to promote the establishment of foundations and associations which will allow the participation of the private sector and of national and foreign organizations.

Mining:

The main objective of our mining policy is to fully exploit our mining potential by reactivating already existing operations and by implementing new projects, mainly those carried out by the Peruvian private and foreign sectors.

The exploitation and development of programs for mining reserves will be the backbone of this productive effort, which will allow us to implement a rational and varied exploitation of metal and nonmetal minerals.

The economic policy will gradually guarantee a real, proper, and stable exchange rate. We will continue to adopt measures so that costs will be as compatible as possible with international prices. This will necessarily result in a decrease in customs duties and the establishment of internationally competitive oil and energy prices, but within the framework of fiscal restrictions.

Through its companies, the state will associate itself with national and foreign private capital by using current production units to finance the obtainment of fresh capital, which must necessarily come from the private sector. This will allow us to modernize and expand government-managed offices.

By associating itself with the private sector, the government intends to transform it into a more expeditious and efficient sector, the majority of which will be in private hands, particularly in the cases of HierroPeru [Peruvian Iron Mines Enterprise] and Mineroperu [Peruvian State Mining Enterprise]. In view of its complexity and size, Centrominperu [Central Peru Mining Enterprise] will require special treatment.

The Peruvian State Mining Enterprise will coordinate investments for the mining sector by seeking to obtain private capital for the projects that were planned many years ago, thus dispensing with the special rights granted to state enterprises that are incapable of carrying out productive work.

The Peruvian State Mining Commercial Company will continue to control transactions with the government and help state-owned productive companies to join the international market. In some operations, the State Mining Commercial Company may form joint-ventures with the private sector, although the state-owned company will always hold the majority of the shares. The commission charged for these services must be competitive.

(?IGEMET) [expansion unknown] will coordinate research in the mining, metallurgical, and geological sectors. Its work will be oriented toward basic works such as the national geological chart.

Foreign and national investments will be stimulated through a competitive and stable legal framework, without any hindering discrimination. The (?MIGAR) [expansion unknown] agreement that has been recently signed and its modifications that will be made to the mining law, the labor law, and the law on foreign investment, will be the instruments that will make the

return of foreign capital feasible. The definitive solution to sector conflicts that are still awaiting a solution will be an additional element to support this policy.

Gold prospecting will be promoted through an aggressive campaign now that the trade of gold has already been approved. This way, the investments for increased production will be stimulated through the establishment of companies, and smuggling will be prevented. Small mining companies will be reactivated as a way of creating jobs and developing antiterrorist alternatives. The use of coal as a substitute for oil will be encouraged and the mining law will be reviewed to prevent a monopolization on production or on the granting of special rights.

These proposed modifications will be submitted for congressional approval.

The minimum production and investment goals will be strictly observed. In the case of small- and medium-sized mining companies, this compliance will be supervised by the regional collection organizations. [passage omitted]

Transport and Communications Sector:

During the 1991-1995 period, this sector will be modernized in many ways. The Transportation and Communication Ministry will be reorganized, giving special emphasis to its role as a promoter of foreign and national private investments in the sector and as a promoter of competition, thus preventing state or private monopolies from regulating competitiveness instead of regulating operations. The state-owned companies in the transportation and communication sectors that currently use obsolete technology and equipment, excessively high numbers of employees, and run deficits, will be henceforth ruled by the principles of effectiveness and profit. Subsidies that are used to complement the price of fares and those granted to services that are the responsibility of this sector will be eliminated. The institutions will be strengthened to make it possible to better control the quality and price of transportation and communication services rendered to the country, particularly the sub-sectors in which monopolistic or oligopolistic practices may exist. [passage omitted]

Social Security:

The new administration of the Peruvian Institute of Social Security [IPSS], preserving the autonomy to which it is entitled and which this government respects, has begun a phase of administrative rationalization by considerably a reduction of its excess personnel. The IPSS financial resources have yielded gains with the aid of the national financial system, and the institute's competitiveness and efficiency has been improved. The IPSS has begun a process of decentralizing its administration, services, training, and decision making processes. Basic services which, until recently, were not available are now, Mr. President, reaching minimum levels of efficiency. The IPSS stock of medicines, and medical and surgery equipment for attending the insured population and their survivor beneficiaries has been

increased. The mere existence of these basic materials allows medical work to be more effective.

There obviously are still great shortcomings that have yet to be overcome in the short term. One of these shortcomings is the inefficient use of the institute's installed capacity, which must be optimized. We must eliminate the obstacles that prevent the rational use of such scarce and costly means for Peru, such as IPSS hospital beds which are drastically under used or unable to be used. We have been able to put into service a considerable number of beds and medical units which until recently were closed down. The autonomy of the IPSS to charge fares and to technically manage its resources will allow it to continue to comply with its objectives and with some other circumstantial objectives, such as the transference of human resources, medicines, and hospital equipment during the cholera epidemic.

Messrs. Congressmen, the IPSS must recover the scientific, technological, and training role that it must hold within the Peruvian social security context. This means not only the incorporation of advanced technology for medical work, but also the reconsideration of specific situations that prevent the efficient rendering of its services.

Pensions have increased meaningfully, above the inflation level during the current administration's period in office. We cannot ignore the serious problem posed by the lack of financial structure in the pension system as a consequence of a deficient administration which did not use technical calculations. The cycle of the social security system has concluded and it must therefore be revised. This is why, Mr. President, it is necessary to implement a new pension system without harming the rights acquired by the workers. Current longer life expectancy, shorter times in which contributions were made, and a younger retirement age make the system no longer realistic. Beside, there are two pension systems, one administered by the IPSS and another administered by different state organizations. This represents unequal treatment which must be revised to safeguard the workers who are near retirement age.

Within this context of structural limitations, this administration finds little elbowroom with which to operate. Whatever effort is made will not be enough to solve the deficiencies that are becoming evident. The current pension system is fractured and its collapse is just a matter of time if the appropriate legal measures are not adopted. We reiterate our respect for the autonomy of the IPSS and we confirm that we are ready to grant it the necessary support to allow it to comply with its basic role.

Permission to Request Special Powers: [booing]

Mr. President, Messrs. Congressmen, with my hand on my heart, we are facing a very complex problems that must be soon solved. We are permanently watching for distress. The deadline to fulfill our commitments has expired. We are working against the clock. We must

urgently modify many existing legal norms, adapting them to the new socio-economic model in keeping with current times. We need new laws to guide and guarantee the development of almost all economic and financial activities within the framework of a modern, fragile, and flexible framework that can really promote all our potentials. We demand new laws for the industry, service, agricultural, tourism, foreign trade, mining, labor, cooperative, money sectors. We want laws that can prevent monopoly and protect consumers.

Although we know Congress is solving many of these problems through the respective bills, we merely demand what we consider essential, that is, special powers to promulgate decrees in the following fields: public companies, promotion of employment, private investment, and national defense and pacification. These bills may be modified or revoked by the legislative branch if Congress disapprove them.

Mr. President, when I began this speech I commented on our attitude toward the public situation. I must say that we are fully convinced that the government task will be sterile, fruitless, without the necessary efforts toward consulting, coordinating, and interrelating the actions between the legislative branch and the executive branch. To achieve this, we are willing to renounce all kudos. We are here to ask this Congress for the opportunity to work toward a consensus that does not include the possibility that any one party will have to loose their powers.

The Constitution obligates ministers to report to Congress on what they consider useful. We will come to talk with each committee of the Chamber of Deputies and the Senate so that they can help us comply with our difficult task. We will never come to seek a confrontation. We will come to defend with firmness and respect our proposals. If we are wrong we will rethink them. We will not come to Congress with the final word but rather with the seeds of the final idea.

Mr. President, we want to help to regain the calm that the Peruvian people need so much. We want to help to restore the desire for internal peace. I must say that the structural changes that have been promoted and expanded by this government and its second ministerial cabinet have been mostly in keeping with transitory presidential decrees which are based on Section B of Article 211 of the Constitution, and which only can suspend certain legal norms.

Therefore it is essential to come to Congress as we are doing now to legalize this norm. This is why we request these special powers. Mr. President, Messrs. Congressmen, I hope my words are those of optimism of faith in Peru. The more our problems, the greater our potential. If our people are currently suffering, we are absolutely sure they have never felt defeated and will never feel defeated. They have shown, time and again, their creativity which will help them to build a better future for their children. Peru is a viable country. Thank you.